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Certified Public Accountants

LATITUDE
SUBROGATION SERVICES

Inspection Connection

AICPA SOC
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SOC for Service Organizations™

Latitude Subrogation Services, LLC and InspectionConnection, LLC

Subrogation and Salvage Recovery Services and Vehicle Material Damage Appraisal Services

SOC 1® Type 2
April 1, 2022 – March 31, 2023

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The next level of service

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Section 1:

Independent Service Auditor's Report

INDEPENDENT SERVICE AUDITOR'S REPORT

To the Board of Latitude:

Scope

We have examined Latitude Subrogation Services, LLC's ("LSS") subrogation and salvage recovery services system and InspectionConnection, LLC's ("IC") vehicle material damage appraisal services system (collectively referred to as "Latitude system") entitled "Latitude's Description of Its Subrogation and Salvage Recovery Services and Vehicle Material Damage Appraisal Services System" for handling subrogation and salvage claims and vehicle material damage appraisals throughout the period April 1, 2022 to March 31, 2023 ("description") and the suitability of the design and operating effectiveness of the controls included in the description to achieve the related control objectives stated in the description, based on the criteria identified in "Management of Latitude's Assertion" ("assertion"). The controls and control objectives included in the description are those that management of Latitude believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the subrogation and salvage recovery services and vehicle material damage appraisal services system that are not likely to be relevant to user entities' internal control over financial reporting.

The information included in Section 5, "Other Information Provided by Latitude," is presented by management of Latitude to provide additional information and is not a part of Latitude's description of its subrogation and salvage recovery services and vehicle material damage appraisal services system made available to user entities during the period April 1, 2022 to March 31, 2023. Information about Latitude management's responses to exceptions has not been subjected to the procedures applied in the examination of the description of the subrogation and salvage recovery services and vehicle material damage appraisal services system and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description of the subrogation and salvage recovery services and vehicle material damage appraisal services system and accordingly, we express no opinion on it.

Latitude uses subservice organizations to provide Software as a Service (SaaS) and Infrastructure as a Service (IaaS) solution services. The description includes only the control objectives and related controls of Latitude and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified by Latitude can be achieved only if complementary subservice organization controls assumed in the design of Latitude's controls are suitably designed and operating effectively, along with the related controls at Latitude. Our examination did not extend to controls of the subservice organizations and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of Latitude's controls are suitably designed and operating effectively, along with related controls at the service organization. Our examination did not extend to such complementary user entity controls and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

Service Organization's Responsibilities

In Section 2, Latitude has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. Latitude is responsible for preparing the description and assertion, including the completeness, accuracy, and method of presentation of the description and assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period April 1, 2022 to March 31, 2023. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of controls involves—

- performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on the criteria in management's assertion.

- assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description.

- testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in the description were achieved.

- evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.

Inherent Limitations

The description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in handling subrogation and salvage claims and vehicle material damage appraisals. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become ineffective.

Description of Tests of Controls

The specific controls tested and the nature, timing, and results of those tests are listed in Section 4.

Opinion

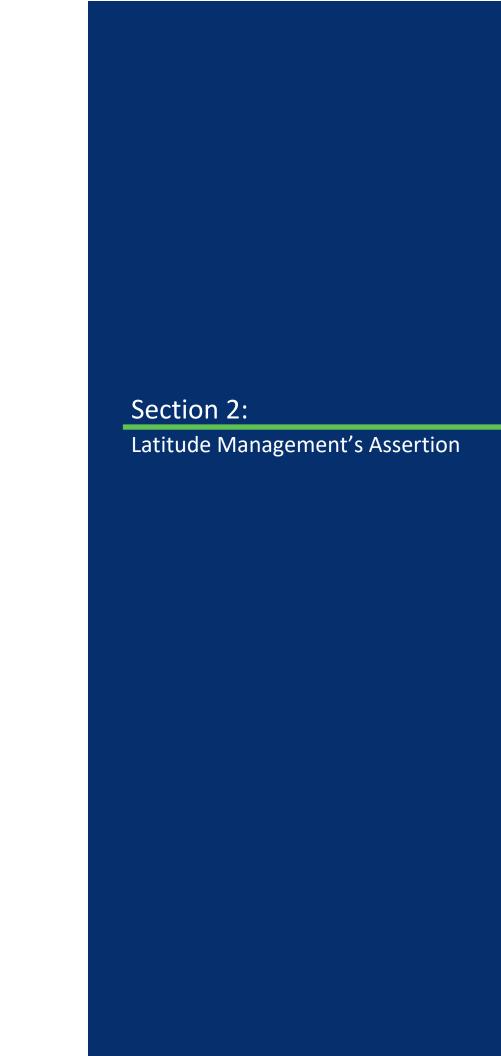In our opinion, in all material respects, based on the criteria described in management of Latitude's assertion—

a. the description fairly presents the subrogation and salvage recovery services and vehicle material damage appraisal services system that was designed and implemented throughout the period April 1, 2022 to March 31, 2023.

b. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period April 1, 2022 to March 31, 2023 and subservice organizations and user entities applied the complementary controls assumed in the design of Latitude's controls throughout the period April 1, 2022 to March 31, 2023.

c. the controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period April 1, 2022 to March 31, 2023 if complementary subservice organization and user entity controls assumed in the design of Latitude's controls operated effectively throughout the period April 1, 2022 to March 31, 2023.

Restricted Use

This report, including the description of tests of controls and results thereof in Section 4, is intended solely for the information and use of Latitude, user entities of Latitude's subrogation and salvage recovery services and vehicle material damage appraisal services system during some or all of the period April 1, 2022 to March 31, 2023, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatement of user entities' financial statements. This report is not intended to be, and should not be, used by anyone other than these specified parties.

UHY LLP

Farmington Hills, Michigan
August 28, 2023

Section 2:
Latitude Management's Assertion

Management of Latitude's Assertion:

We have prepared the description of Latitude Subrogation Services, LLC's ("LSS") subrogation and salvage recovery services system and InspectionConnection, LLC's ("IC") vehicle material damage appraisal services system (collectively referred to as "Latitude system") entitled "Latitude's Description of Its Subrogation and Salvage Recovery Services and Vehicle Material Damage Appraisal Services System" for handling subrogation and salvage claims and vehicle material damage appraisals throughout the period April 1, 2022 to March 31, 2023 ("description") for user entities of the system during some or all of the period April 1, 2022 to March 31, 2023, and their auditors who audit and report on such user entities' financial statements or internal control over financial statement reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by subservice organizations and user entities of the system themselves when assessing the risks of material misstatement of user entities' financial statements.

Latitude uses subservice organizations to provide Software as a Service (SaaS) and Infrastructure as a Service (IaaS) solutions. The description includes only the control objectives and related controls of Latitude and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified in the description can be achieved only if complementary subservice organization controls assumed in the design of our controls are suitably designed and operating effectively, along with the related controls. The description does not extend to controls of the subservice organizations.

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of Latitude's controls are suitably designed and operating effectively, along with related controls at the service organization. The description does not extend to controls of the user entities.

We confirm, to the best of our knowledge and belief, that:

1) The description fairly presents the subrogation and salvage recovery services and vehicle material damage appraisal services systems made available to user entities of the system during some or all of the period April 1, 2022 to March 31, 2023 for handling subrogation and salvage claims and vehicle material damage appraisals as it relates to controls that are likely to be relevant to user entities' internal control over financial reporting. The criteria we used in making this assertion were that the description:

   a) Presents how the system made available to user entities of the system was designed and implemented to process relevant user entity transactions, including, if applicable:

      i) The types of services provided, including, as appropriate, the classes of transactions processed.

      ii) The procedures, within both automated and manual systems, by which those services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for user entities of the system.

      iii) The information used in the performance of the procedures including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.

iv) How the system captures and addresses significant events and conditions other than transactions.

v) The process used to prepare reports and other information for user entities.

vi) The services performed by a subservice organization, if any, including whether the carve-out method or the inclusive method has been used in relation to them.

vii) The specified control objectives and controls designed to achieve those objectives including, as applicable, complementary user entity controls and complementary subservice organization controls assumed in the design of the controls.

viii) Other aspects of our control environment, risk assessment process, information and communications (including the related business processes), control activities, and monitoring activities that are relevant to the services provided.

b) Includes relevant details of changes to the subrogation and salvage recovery services and vehicle material damage appraisal services systems during the period covered by the description.

c) Does not omit or distort information relevant to the system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and their user auditors and may not, therefore, include every aspect of the subrogation and salvage recovery services and vehicle material damage appraisal services systems that each individual user entity of the system and its auditor may consider important in its own particular environment.

2) The controls related to the control objectives stated in the description were suitably designed and operating effectively throughout the period April 1, 2022 to March 31, 2023 to achieve those control objectives if subservice organizations and user entities applied the complementary controls assumed in the design of Latitude's controls throughout the period April 1, 2022 to March 31, 2023. The criteria we used in making this assertion were that:

a) The risks that threaten the achievement of the control objectives stated in the description have been identified by management.

b) The controls identified in the description would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.

c) The controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.

Marc Hassen
Chief Operating Officer

Section 3:

Latitude's Description of its Subrogation and Salvage Recovery Services and Vehicle Material Damage Appraisal Services System

OVERVIEW

Latitude Subrogation Services, LLC ("LSS") is a privately held company established in 2000 to provide subrogation and salvage recovery services to insurers, self-insured entities, third party administrators, specialty risk companies, and other clients as a vendor and purchaser of subrogation assets, specializing in Auto, Property, and Workers Compensation. The company is headquartered in Bloomfield Hills, Michigan, and provides services in the United States and Canada.

The company acquired the International Insurance Institute, Inc. ("III") in 2020, which provides claim training services, and InspectionConnection, LLC ("IC") in 2021, which provides material damage claim handling services such as vehicle repair appraisals and related services.

SCOPE OF THE SYSTEM

The scope of this report includes the subrogation and salvage recovery services provided in the United States and Canada by LSS as well as the vehicle material damage estimating-related services provided by IC (collectively referred to as "Latitude" or "Company") for the period April 1, 2022 through March 31, 2023. The scope of this attestation does not include services provided by III.

Subservice Organizations

Latitude utilizes third-party providers ("subservice organizations") to host the subrogation and salvage recovery services and vehicle material damage appraisal services system. The subservice organizations and the services provided include:

Subservice Organization	Services Provided
Salesforce Service Cloud	Software as a Service (SaaS) solution used to host the LSS Claims Management System and SubroChain®.
Microsoft Corporation	Microsoft 365 (M365) SaaS solution used within SubroChain® for client subrogation claim activity communications and reporting as well as the client claim referral process. M365 SharePoint is used to track Salvage claim quoting activities performed by IC.
Microsoft Azure Cloud	Infrastructure as a Service (IaaS) platform used to host the LSS Client Access Portal and associated data warehouse.

The scope of this report includes only Latitude's subrogation and salvage recovery services and vehicle material damage appraisal services system and does not include the controls in place at the subservice organizations.

Significant Changes to the System

There were no significant changes to the in-scope services system during the attestation period.

Significant Subsequent Events

There were no significant events subsequent to the attestation period and through the date of the report that would materially impact the in-scope services system.

Significant Events

The COVID-19 pandemic had minimal impact on LSS as the Company has for many years utilized a remote staffing model. Most employees, including Specialists who handle client assignments, work from their homes.

DESCRIPTION OF THE SERVICE OFFERINGS PROVIDED AND RELEVANT TRANSACTIONS PROCESSED

Subrogation

Clients assign subrogation claims to LSS to obtain financial recoveries they have paid to one party, that are the legal responsibility of another party ("responsible party"). The specific subrogation claim lifecycle transactions and processes vary depending on the agreement with the client.

Assignments

Clients assign subrogation claims to LSS for handling in one of the following ways. Latitude will provide the client with an acknowledgement of the assignment depending on the client agreement.

First Notice of Loss (FNOL)	The client provides LSS with a data file upon their receipt of a first notice of loss on a claim. Latitude may open a subrogation claim based on a review of the FNOL information.
Referral	The client refers a claim to LSS for subrogation, typically via email though other channels are possible.
Closed File Review (CFR)	LSS reviews closed files and identify claims that still have subrogation potential.

Subrogation

A Subrogation Specialist is assigned the claim. The Specialist investigates the claim, identifies responsible parties, issues recovery demands, negotiates or arranges for recovery payments, and provides claim notes throughout the process.

The client's claim notes, documents, and payment history are needed by LSS to handle the claim. This information may be provided by a Client Adjuster, or the client may provide LSS employees, such as the Claims Support team, with access to their system so that LSS can retrieve the information directly. A variety of data exchange mechanisms are supported.

Claims may also be litigated, arbitrated, or sent to a collection agency business partner if appropriate. Special handling "workflow" will be followed where required by a client, such as client approval for litigation.

Recoveries

Responsible parties (such as adverse insurance companies) make payments directly to LSS or to the client. Payments made to LSS may be received via check or electronically and are processed by LSS's accounting team.

Remittance To Client

LSS provides clients with recovery payment remittance in accordance with the client agreement. Typically, remittance is provided monthly and is net of LSS's fee based on a contingency rate. Clients may instead choose to receive payment in full and be invoiced separately for LSS's fee. Remittance may be via check or ACH. A report listing the claims and payments is provided to the client with their remittance.

Reporting

LSS provides a reporting portal called "Client Access." This site provides clients with the ability to see detailed information for all their subrogation claims they assigned to LSS. Claim data is automatically synced to the Client Access portal from LSS's core processing system, SubroChain®. LSS may also provide the client with customized or ad hoc reporting on demand.

A summary of recovery payments is provided for each claim when the claim is closed if required by the client.

Salvage

Clients engage LSS to assist obtaining financial salvage proceeds on total loss vehicles, typically by helping coordinate the sale of the vehicle through a "salvor" (e.g., vehicle auction facility or "pool"). Variations apply such as when an owner wishes to retain a totaled vehicle or the vehicle is stolen.

Assignment

The client refers a salvage claim to LSS via email.

Gather Title Work

The Salvage Specialist contacts the vehicle owner and obtains the necessary paperwork to facilitate the transfer of the title from the previous owner to the client, or purchaser of the vehicle.

Lien Resolution

The Salvage Specialist contacts a lienholder (such as a bank) if a loan is outstanding to identify the payoff amount and obtain a release.

Vehicle Sale

The paperwork is provided to the salvor auction facility and the claim is monitored for sale of the vehicle and handling of any salvor charges.

Remittance

Sale proceeds may be sent directly from the salvor to the client, or from the salvor to LSS. In the latter case, LSS will accumulate and remit proceeds to the client.

Fee

The client is invoiced for the agreed flat fee following the closure of the assignment.

Material Damage Claim Handling (InspectionConnection)

Clients assign material damage claims to InspectionConnection to create estimates, review existing estimates, review in-bound subrogation demands, and/or establish the value of personal automobiles and commercial, and mobile units.

Assignments

Clients will assign claims in their preferred method.

1. Claims are assigned via the www.ic-claims.com website
2. Claims are assigned via a custom link for their company via the GN360 Global Net program
3. Claims are assigned via email to claims@ic-claims.com website
4. Claims are assigned via the CCC portal

Claim Handling

Once an assignment is received by InspectionConnection, it is assigned to the appropriate appraiser for completion. These claims are distributed based on the skill sets of the InspectionConnection appraiser or the needs of the client. InspectionConnection appraiser will complete one of the following:

- Create a damage appraisal
- Review an existing estimate for appropriateness
- Evaluate, review, and advise appropriate indemnity-spend on in-bound subrogation demands

- Establish the "actual cash value" of a unit via industry accepted standards

Quality Assurance

Each month, all InspectionConnection claim associates have a random sample of worked claims thoroughly reviewed by leadership. This process investigates each portion of the InspectionConnection work product for accuracy and adherence to any client specific needs.

Compensation

Clients are billed at the end of each month based on their specific needs. These are sent from the LSS Accounting department where all aspects of the invoicing and proceeds processing occur.

Reporting

Clients are provided a report of files reviewed each quarter. They are also provided with measurements on claim volume, cycle time and any indemnity impact InspectionConnection was able to provide. These reports are generated in the SharePoint environment.

CONTROL ENVIRONMENT

Integrity and Ethical Values

Latitude's core values, including honesty, fairness and integrity, are reflected in expectations set for employee conduct in the Employee Handbook and accompanying Acknowledgement. An example is the handling of confidential information. Background checks are completed for new hire candidates, and new employees acknowledge the handbook upon hire and whenever there is a change. Performance evaluations are completed during the new hire probationary period and annually thereafter, and a disciplinary action policy is in place to deal with violations of company policy, misconduct, and inadequate performance.

Board of Directors, Executive Management, and Audit Committee Oversight

The Executive team meets regularly to provide oversight and guidance of enterprise operational, technical and risk management activities.

Organizational Structure and Assignment of Authority and Responsibility

Latitude's organizational design is structured to provide clear accountability and authority including separation of duties. Job descriptions are in place to define expectations for employees.

Commitment to Competence

The recruiting process includes postings with job descriptions and background checks and an interview process to ensure new employees are competent. Performance evaluations are used to ensure employees continue to perform in accordance with expectations. Information security training is provided to all employees upon hire, and claims training is available to employees to continue to advance their skills. Latitude provides a number of benefits and recognition activities to help retain employees.

Accountability for Internal Control Responsibilities

Subrogation Specialist responsibilities are reflected in their job descriptions, in best practice guidelines, and in quality audit criteria. Supervisor spot checks and Quality team audits are conducted to help ensure Specialists understand and comply with their responsibilities, and key performance metrics are used to help track performance and identify improvement opportunities for coaching. Results may also impact team members with performance-based bonus plans.

RISK ASSESSMENT

A strategic level risk assessment is completed by the executive team annually to identify and prioritize the most important risks to the company. Risks inherent to the subrogation, salvage and material damage estimating services have been identified, and addressed in best practice guidelines defined to prevent those risks from occurring.

An Information Technology risk assessment is also conducted at least annually by the Director of Information Technology and used to identify and prioritize control improvements.

As a financial recovery service provider whose primary purpose is to recover money from responsible parties on behalf of its clients, LSS considers payment fraud to be the primary risk to the achievement of responsible stewardship of recoveries. Management maintains a risk and control assessment for payment fraud and periodically assesses controls for improvements.

Business continuity planning (BCP) is in place to prepare for and react to unplanned events that threaten any interruption of client services.

INFORMATION AND COMMUNICATIONS

Internal Communication

Supervisors meet together weekly to keep informed on company results and changes. Supervisors have one-on-one meetings monthly with each of their team members individually, and have team meetings which are also on a monthly basis. Quality audit result details are provided to Supervisors, who use the information for coaching and counseling their staff. Summaries are provided quarterly to Supervisors and leadership to understand team and company trends.

The executive team meets monthly to share information on company results, issues, and changes, and meets more frequently as needed (such as annual risk assessments). An intranet is used to store policies, procedures, reference material, meeting notes, and other information, and is the company's central repository and information source for employees.

External Communication

An Account Manager is in place to provide a liaison with each client to keep clients informed of upcoming changes, report incidents if they occur, and provide feedback. Latitude provides a reporting portal called "Client Access" to support clients' needs for reporting and information on assigned claims. Additional reports are provided to clients on an as-requested basis.

MONITORING ACTIVITIES

To ensure the effectiveness of the controls to meet its service commitments and ensure the system is protected against unauthorized access, use or modification as well as available for operation, LSS conducts a variety of monitoring activities. These activities include operational and system monitoring, dashboards and reports, ongoing assessments and reviews.

An owner is assigned to each enterprise risk as part of the Enterprise Risk Management Program. The risk owner assesses organizational and environmental factors and changes and the functioning of controls to identify and pursue improvements where needed. Work product quality reviews are used to monitor service results against best practices to help identify any problems so that corrective action and coaching can be implemented.

Additionally, subservice organizations are monitored through daily alerts of SaaS performance and outages as well as annual reviews of the subservice organization SOC 2® reports. Issues found in the SOC 2® reports or with monitored services are communicated to management and discussed to determine if corrective actions are needed.

CONTROL OBJECTIVES AND RELATED ACTIVITIES

Control Objective 1 – Organization and Administration Controls

Controls provide reasonable assurance that Company personnel are properly vetted, understand their responsibilities within their reporting structure, and adhere to company policies and procedures.

The Latitude organizational design is structured to provide clear lines of authority and separation of duties. So that job functions and responsibilities are clearly delineated, there is a division between staff and line functions, for instance -

- The Quality Audit team reports to a separate line of management than the Subrogation teams

- The Accounting team has responsibility for issuing expert service payments and posting incoming payments

- Subrogation Specialists work claims and do not have payment authority or the ability to post incoming payments

- New claim entry is controlled by Claims Support for referrals, and new FNOL claims are controlled by the Mining team

- New client setup is handled and controlled by the Business Development team

- New hire employment offers only come from HR, and HR must approve employee disciplinary actions

- The IT department controls access to company systems as requested and authorized by the appropriate management

In order to secure qualified and competent employees, new employee hiring is guided by job description requirements that define the job's roles and responsibilities and the necessary skills and education to be successful. Background checks, resume screening, and interviews are completed to help ensure competent staff are selected. The Employee Handbook, acknowledged at new hire and annually thereafter, outlines expectations for ethical conduct and handling of confidential client information.

Performance evaluations are used to monitor performance. A probationary review is held for new employees near their 45 and 90 day service anniversaries. Employees must exhibit an acceptable level of performance and conduct to retain their employment status. Reviews are held annually upon the employee's anniversary date, presented and discussed by the Supervisor with the employee, both of whom sign the review, and the review is maintained in the employee's HR file. An employee discipline process is in place to handle performance and conduct problems, with progression from verbal warning up to and including termination if warranted by the lack of acceptable performance or misconduct such as a violation of law or company policy

Subrogation and Salvage Service Controls

Control Objective 2 – Client Setup

Controls provide reasonable assurance that new client claim rates are accurate, and new client claim requirements and rates are complete and set up in accordance with client expectations.

New clients are onboarded and set up by the Business Development team in LSS's claim handling system, SubroChain®, in such a way that the client's unique requirements are understood and utilized during the claim handling process. Example requirements include whether the client requires an acknowledgement letter with the Subrogation Specialist's contact information upon assignment, or whether an approval is needed from the client before proceeding with the filing of a legal suit or arbitration. Client requirements are gathered by the Business Development team as part of the new client onboarding process.

SubroChain® has automated system field and edit checks to ensure client accounts are set up completely. The client "workflow" requirements are used by SubroChain® and Salvage Specialists throughout the claim's lifecycle, and updated and communicated by the Business Development team when the client's requirements change.

Prior to March 2023, fee rates were entered into the system by Accounting based on the client agreement provided by Business Development, checked by a second person in the Accounting department against the client agreement, used to systematically calculate fees on each financial recovery, and manually double-checked again against the client agreement for accuracy by Accounting before being remitted to the client as part of the monthly remittance cycle.

In March of 2023, Business Development took responsibility for the initial rate entry based on a new client agreement or changes to the rates on an existing agreement. Accounting completes a review of the rates in the system after entry by Business Development to ensure the rates are accurate.

Control Objective 3 – Claim Assignment

Controls provide reasonable assurance that client claims are received and assigned to a Specialist as expected and in a timely manner.

Claims received from the client are reviewed and assigned to a Subrogation or Salvage Specialist for handling. Claims are typically received via email when referred by a client adjuster, and entered by a Claims Support Specialist. Any claim documents that are attached to the referral email are also loaded into SubroChain® and attached to the new claim. First notice of loss (FNOL) claims are typically received via a SFTP file transfer, loaded into SubroChain®, and reviewed by a Subrogation Specialist on the Mining team. Closed File Review (CFR) files are typically received via a spreadsheet, manually reviewed, then imported or manually entered into SubroChain®. If Latitude has access to the client's system, the Mining team may further review claims with uncertain subrogation opportunity there before accepting them for assignment.

System edits help ensure that duplicate claims are recognized before they are processed again, such as when a claim is received through FNOL and again if a client adjuster emails a referral to Latitude.

FNOL automated files are monitored by the Quality Supervisor so that any regularly scheduled FNOL files that are missing are identified and escalated for research with the client. FNOL fire claims are systematically identified through damage codes provided by the client (e.g., "fire" or "smoke"). These claims are automatically and immediately assigned to the proper team for processing. Other types of claims are staged in a SubroChain® team queue for assignment based on claim type (e.g., Auto, Property, Workers Comp). Supervisors monitor these queues daily to verify all claims are assigned to Specialists.

If specified in the client requirements, an Acknowledgement letter is provided to the client with the assigned Specialist's contact information to confirm that the claim has been received and is being handled. A claim note is also entered on the claim with the assignment information, and is available for clients in the Client Access portal.

Control Objective 4 – Recovery Processing

Controls provide reasonable assurance that subrogation and salvage claim recovery processing is accurate, complete, timely, commensurate with the individual claim circumstances, collection agency referrals are appropriate, and claims are in compliance with client requirements.

Subrogation and salvage claim handling activities are subject to the client's unique requirements and the merits of each claim, but are guided by Best Claim Practices (BCPs) that have been established for each team to help guide claim handling decisions. The BCPs provide general guidance, but Specialists must use professional judgement in deciding what and when activities need to occur in order to accomplish the recovery objectives. Client workflow requirements are set up in SubroChain® for Specialists to review to ensure the client's specific requirements are met.

SubroChain® system's automated field and edit checks and controls help ensure that data is valid and complete. Collection agency referrals are reviewed by an independent team to validate minimum requirements for the referral have been met.

SubroChain® has extensive dashboards for monitoring work and the timeliness and completeness of claim recovery processing. Each team has their own dashboard and Specialists can see metrics that are specific to them. Supervisors and leadership have additional dashboards to monitor overall claim progress, spot outliers, and manage the work. Supervisors complete monthly spot checks to ensure claims are being worked properly, and that the Specialist's judgement is sound regarding the appropriateness of next steps for a complete investigation and successful recovery.

The Quality team completes monthly audits to fully assess claim handling against pre-defined quality criteria and workflow requirements, and provides each Supervisor with a roll-up summary on a quarterly basis. Supervisors use the results for coaching and counseling. Quality performance may impact performance-based bonuses for individual Specialists depending on the program that applies to them.

Control Objective 5 – Financial Recovery Payments

Controls provide reasonable assurance that subrogation and salvage recovery payments are received timely and applied accurately and completely applied to the client's claim.

Payment schedules are created on each claim feature by the assigned Subrogation Specialist based on a payment agreement they arrange with the responsible party, and monitored to ensure expected payments are received. Payment schedules pertaining to an uninsured individual are placed in a special queue for monitoring and to facilitate timely escalation if payments are not received. If an expected payment is not received on its due date, and following a grace period, the responsible party is contacted to obtain the payment and establish a new payment agreement if a revision is needed.

Subrogation and salvage payments received from responsible parties are received either via check or ACH transfer. The Accounting team posts each payment to SubroChain®, which systematically calculates the LSS fee and the amount of the recovery due to the client based on rate tables maintained for each client in SubroChain®. Each Accounting staff member balances the daily postings they entered against the money received to ensure all money is accounted for. Checks are electronically deposited remotely into Latitude's bank and payments are scanned, notated and stored electronically. When the daily balancing is complete, the day's financial transactions are systematically transferred from SubroChain® to the QuickBooks financial ledger system.

Control Objective 6 – Client Remittance and Invoicing

Controls provide reasonable assurance that financial recoveries and expenses invoiced to clients are accurate, complete and valid, and invoices and transfers are approved.

Monies due the client are provided in the frequency (e.g. monthly) and manner (e.g. check or ACH) they desire. Most clients request monthly remittance of their funds though some request them more frequently. Checks for those clients wishing to be paid via check are printed onsite and signed by management prior to being mailed. Copies of the checks are scanned and stored electronically. Electronic payments issued via ACH are entered into the bank's system by an Accountant, but must be approved by an authorized manager.

Accounting staff use a documented monthly process and a monthly statement control sheet that includes a record of the activity to ensure all remittances are processed accurately and recoveries balance between SubroChain® and the accounting system. The SubroChain® system systematically applies contingency or flat fee rates to each transaction, but Accounting manually reviews every payment to verify the correct fee rates have been applied and Latitude's fees are accurate.

Expenses paid on behalf of the client and invoiced to the client for repayment are controlled by validating TINs for new vendors and reviewing individual expense invoices. The TIN validation process, implemented in October 2022, involves matching the TIN number and name of a new vendor against that on record with the IRS to help verify the vendor is a valid business entity. Expense invoices are supported by documentation evidencing the legitimacy of each expense and accuracy of the amount to be paid. Accounting validates the documentation by comparing expenses to the invoice prior to sending the repayment invoice to the client.

Client proceeds are sent to the client either gross or net depending on the client's requirements specified during client setup, and include an attached report with a detailed breakdown by transaction. Management reviews month-end client remittance payments and supporting documentation for accuracy and approves the remittance prior to being completed.

Vehicle Material Damage Claim Handling (InspectionConnection) Controls

Control Objective 7 – InspectionConnection Claim Assignment

Controls provide reasonable assurance that client claims are received and assigned to the most appropriate Specialist in a timely manner.

IC management provides direction to Claims Support to distribute work to an associate that has the requisite skills to handle each particular type of assignment, with associates specializing in a client or a product line and to distribute work relatively evenly across these associates.

The Claims Support team reviews the dispatching and claim assignments to ensure claims are assigned to the IC associate with the appropriate expertise within a two hour internally targeted timeframe.

Control Objective 8 – InspectionConnection Claim Handling

Controls provide reasonable assurance that claims are handled accurately, completely and timely, and in compliance with the guidelines.

Best Claim Practices (BCPs) have been established to guide associates on daily claim handling processes. Associates acknowledge the document annually or whenever the document is revised.

A Claim Checklist is also provided by management that outlines the steps normally required to complete a claim. The guidelines and the claim checklist together provide a framework, but professional judgement is needed to complete all work in accordance with the facts of each claim. An audit program is in place for management to sample each associate's claims, assess the quality, accuracy, and compliance with guidelines, and enable feedback and coaching to the associate.

Control Objective 9 – InspectionConnection Invoicing

Controls provide reasonable assurance that invoices presented to clients for InspectionConnection services are correct.

IC billing procedures are in place and documented to guide and control the creation of client invoices. The IC Director of Operations reviews each month's claim inventory for validation and correction of any claim coding errors or duplicates. An Accountant prepares a workbook, reviews and resolves any discrepancies (such as potential duplicates or inaccurate fees), imports the data into QuickBooks, and generates the client invoices. The IC Director of Operations reviews and approves the invoices. Once all invoices and supporting documentation have been reviewed, the Director of Finance reviews and submits the invoices to the client.

Control Objective 10 – Risk Management

Controls provide reasonable assurance that the Company assesses and manages risk associated with its operations and key service providers.

An enterprise risk management (ERM) process is in place whereby executive management annually reviews, prioritizes, and tracks mitigation on strategic risks. The ERM focuses on the most critical risks to the enterprise. A risk assessment is completed that outlines each major risk, along with an estimate of the relative probability and impact of the risk occurring, and assignment of a manager to monitor the risk and identify and address any control improvements or other mitigation. An Information Technology risk assessment is also completed on an annual basis to identify and prioritize control improvements, which may impact the IT project plan for the next planning cycle.

IT subservice organization attestation reports for key service providers are reviewed by the Director of Information Technology to evaluate the effectiveness of controls critical to the operation of LSS's SubroChain® system. Deficiencies are reported and discussed in monthly SubroChain® Steering Committee meetings to determine if corrective actions are necessary.

Attorney law firm vendors are reviewed annually to ensure they maintain professional liability insurance since they are liable for losses to the client resulting from any professional errors and omissions. In addition, corporate insurance is in place for Latitude to help mitigate losses from major cyber and adverse business events.

The Finance Director and COO annually review payment fraud risk over internal and external payment streams to identify and track controls to prevent, detect or mitigate material fraudulent payments. Areas for improvement are identified and remediated and/or enhanced over time.

Best Claim Practices (BCP)s are defined for each type of claim (Auto, Property, Workers Comp, etc.) to help mitigate the claim handling risks for those lines of business. The BCPs are posted on the intranet for the subrogation teams to refer to when performing subrogation claim handling activities.

Control Objective 11 – Physical Access

Controls provide reasonable assurance that physical access to information, key computing resources and sensitive areas is adequately controlled and limited to authorized personnel.

LSS operates door biometric access systems, alarm system and security camera system. New employees are added to the appropriate doors upon hire or as requested by management. Door and alarm access is removed upon termination.

Control Objective 12 – Logical Access

Controls provide reasonable assurance that logical access to key information systems is managed and limited to authorized users.

When individuals join the company, HR creates an onboarding IT HD ticket for the new employee. Access for new employees is added based on role or special instruction in the IT ticket to respective service production environments. The ticket is closed when all accounts are created and company equipment is sent to and configured by LSS IT staff.

When individuals leave the company, HR creates an offboarding IT HD ticket for the terminated employee. Access for terminated employees is then removed from respective service production environments and LSS office door access. The ticket is closed when all accounts and access is removed, and company equipment is returned to LSS.

A manual user access review is performed on a periodic basis to substantiate that access for each user, including third parties, is relevant and in line with job responsibilities. Any needed access alterations identified during the review are addressed in a timely manner.

Control Objective 13 – Network Security

Controls provide reasonable assurance that the network infrastructure and processes are designed to minimize the threat of unauthorized access to data and applications.

LSS uses Azure AD infrastructure with Multi-Factor Authentication (MFA) for centralized authentication and authorization to their endpoints and M365 service. Salesforce database and authenticator app are used to control access to SubroChain® and SQL database is used to control access to LCAP.

Each LSS endpoint including computers and servers has an antimalware agent installed. The antimalware agent is configured to obtain the latest available definition files from the antimalware server hosted on the Internet. If there are issues related to the agent synchronization process with the antimalware server, the individual antimalware agent automatically notifies the IT team, and the reported issue is analyzed and resolved.

Control Objective 14 – Change Management

Controls provide reasonable assurance that changes to key application and infrastructure systems are reviewed and approved.

Authorized LSS users may view prior or upcoming upgrades and changes to the SubroChain® in the Salesforce SFDC issue log. In addition, LSS customers receive notifications of major changes prior to change implementation through emails to active user accounts. Changes are identified via an IT helpdesk ticket from users or from IT support staff. These changes are discussed with management and if approved are entered into the Salesforce SFDC issue log for SubroChain® or IT HD ticket system for other systems.

The LSS IT team monitors for known and new configuration and patching vulnerabilities through automated scans based on Qualys and Symantec Endpoint Protection technology. IT reviews the vulnerability scan reports and assesses the criticality of the vulnerabilities and applies patches or fixes as applicable.

Control Objective 15 – Backup and Recovery

Controls provide reasonable assurance that key company data is backed up and policies are in place to respond to incidents and restore data and systems when needed.

SubroChain® and LCAP data is replicated for redundancy and disaster recovery purposes. SubroChain® data is replicated from the primary content database to a secondary content database within the same Salesforce instance/datacenter. The primary and secondary databases are then replicated across geographically dispersed datacenters to the LSS data warehouse in Azure.

Generally, the data maintained in the primary content database is replicated and accessible in real time via:

(1) the primary database;

(2) a secondary replication database located in the same primary datacenter 2 - 4 times a year; and

(3) a secondary disaster recovery server with hourly replicated data in a geographically segregated datacenter

In addition to content replication and geographical redundancy, LSS LCAP data is also subject to a periodic Azure Blob Storage backup process. LCAP data is generally subject to two backup types, each with a unique cadence:

• Full Backups – Full backups consist of all customer content data on a server or content database, generally occur on a weekly frequency and are maintained for 30 days.

• Differential Backups – Differential backups occur at a daily frequency and consist of any additional data since the last full backup or differential backup, depending on which was the last to occur.

As data is accessible for redundancy and disaster recovery purposes for applications and support services through the data replication process described above, data backups are performed during the evenings when necessary in order not to interrupt operations.

COMPLEMENTARY SUBSERVICE ORGANIZATION CONTROLS

Latitude's controls related to the subrogation and salvage recovery services and vehicle material damage appraisal services system cover only a portion of overall internal control for each user entity of Latitude. Complementary controls at the subservice organizations are required to achieve the control objectives related to subrogation and salvage recovery services and vehicle material damage appraisal services. Therefore, each user entity's internal control over financial reporting must be evaluated in conjunction with Latitude's controls and the related tests and results described in Section 4 of this report, taking into account the related complementary subservice organization controls expected to be implemented at the subservice organizations as described below.

Cloud Service Providers (**CSPs**) – Microsoft Azure, Salesforce Service Cloud, Microsoft365

Complementary Subservice Organization Controls	Applicable Control Objective
CSPs are responsible for controlling and monitoring physical access to its facilities and data centers.	CO 11
CSPs are responsible for implementing logical security controls within their systems and applications.	CO 12
CSPs are responsible for maintaining and monitoring network security devices, preventing intrusion to client systems and/or data.	CO 13
CSPs are responsible for maintaining and monitoring server-hosting environment, providing ability for client to access systems and/or data 24/7.	CO 13
CSPs are responsible for maintaining and monitoring network connectivity to cloud environment resources to ensure clients can access systems.	CO 13
Salesforce Service Cloud and Microsoft365 are responsible for implementing network security controls within their operating environment to protect user entity data.	CO 13
CSPs are responsible for maintaining and patching their applications and underlying environments.	CO 14

COMPLEMENTARY USER ENTITY CONTROLS

Latitude's services are designed with the assumption that certain controls will be implemented by user entities. Complementary controls at user entities are required to achieve the control objectives related to Latitude's services. Accordingly, user entities, in conjunction with Latitude's services, should establish their own internal controls or procedures to complement those of Latitude.

The following complementary user entity controls should be implemented by user entities to meet the control objectives described within this report. Because these items represent only a part of the control considerations that might be pertinent at the user entities' locations, user entities' auditors should exercise judgement in selecting and reviewing these complementary user entity controls.

Complementary User Entity Controls	Applicable Control Objective
Client is responsible for providing and notifying Latitude promptly of any changes that would impact Latitude's claim handling on behalf of the client.	CO 2, 8
Client is responsible for ensuring the completeness and accuracy of data provided within client-supplied files.	CO 1, 3, 8
Client is responsible for submitting files in accordance with their scheduled delivery date.	CO 3, 7
Client is responsible for using a secure method of transmittal for submitting data to Latitude.	CO 3, 7
Client is responsible for ensuring discrepancies between file transmissions and the reports are communicated to Latitude in an accurate and timely manner.	CO 3, 7
Client is responsible for preventing duplicate assignments by not referring the same claim multiple times.	CO 3, 4, 7, 8
Client is responsible for providing current and complete information on assigned claims.	CO 3, 8
Client is responsible for reviewing the completeness and accuracy of reports and files and claim information that is produced by Latitude and notifying Latitude of any discrepancies in a timely manner.	CO 4, 8
Client is responsible for responding timely to Subrogation Specialist requests on assigned claims for claim information, status, and/or client approvals.	CO 4, 8
Client is responsible for notifying Latitude of all responsible party payments that are received directly by the client instead of being paid to Latitude by the responsible party.	CO 5
Client is responsible for notifying Latitude promptly of any invoicing errors or discrepancies.	CO 6, 9
Client is responsible for ensuring that only authorized and properly trained personnel are provided logical access to Latitude systems and reports, and notifying Latitude promptly when a user has been terminated or otherwise should no longer have access.	CO 12

Section 4:
Control Objectives, Related Controls, and Tests of Controls

GUIDANCE REGARDING TESTS OF CONTROLS

When using information produced by the service organization, we evaluated whether the information was sufficiently reliable for our purposes, including, as necessary, obtaining evidence about the completeness and accuracy of the information and evaluating whether the information was sufficiently precise and detailed for our purposes.

The types of tests that may have been performed in evaluating the effectiveness of controls include inquiry, observation, inspection and/or re-performance.

CONTROL OBJECTIVE 1: ORGANIZATION AND ADMINISTRATION CONTROLS		
CO 1	**Controls provide reasonable assurance that Company personnel are properly vetted, understand their responsibilities within their reporting structure and adhere to company policies and procedures.**	

	Control Activity Specified by the Service Organization	Test Performed by the Service Auditor	Test Results
1	Company Organizational Design - The company is organized to provide clear accountability and authority, including separation of duties between subrogation, operations and IT functions.	Inspected the company organizational chart to verify the company was organized to provide clear accountability and authority and there was a separation of duties between subrogation, operations and IT functions.	No exceptions noted.
2	Job Descriptions - Job descriptions are in place to define roles and responsibilities as well as the educational and experience requirements for its personnel.	Inspected examples of job descriptions to verify job descriptions were in place to define roles and responsibilities and the educational and experience requirements for personnel.	No exceptions noted.
3	Hiring Background Checks - Background checks, resume screening, and interviews are performed to evaluate the candidate's overall suitability and qualifications prior to their start date.	Inspected the new hire background checks, resume screening and interview notes for a sample of new hires to verify that management evaluated candidates' overall suitability and qualifications prior to their start date.	No exceptions noted.
4	Employee Handbook - The Latitude Employee Handbook and the accompanying acknowledgement form sets expectations for employee conduct and treatment of confidential information. Acknowledgement from each employee is required upon hire and whenever the Handbook is revised.	Inspected the Latitude Employee Handbook to verify the Handbook set expectations for employee conduct and treatment of confidential information. Inspected the Latitude Employee Handbook acknowledgement forms for a sample of LSS new employees to verify that expectations for employee conduct and treatment of confidential information were acknowledged by the new employees. Inspected the Latitude Employee Handbook acknowledgement forms for a sample of LSS and IC employees to verify that expectations for employee conduct and treatment of confidential information were re-acknowledged by the employees when the Handbook was revised. Inquired with IC management and inspected the IC employee listing hire dates to verify there were no IC new hires during the period.	No exceptions noted with the Employee Handbook, LSS new hire acknowledgment process and LSS and IC employee annual re-acknowledgment process. Unable to verify the operating effectiveness of the IC new hire acknowledgment process because there were no IC new hires during the period.

CONTROL OBJECTIVE 1: ORGANIZATION AND ADMINISTRATION CONTROLS		
CO 1	**Controls provide reasonable assurance that Company personnel are properly vetted, understand their responsibilities within their reporting structure and adhere to company policies and procedures.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
5 Performance Evaluations - Employee performance reviews are conducted within the new employee's probationary period and annually thereafter to ensure satisfactory performance, conduct and compliance with company requirements and standards.	Inspected the Employee Performance Review Policy to verify that performance reviews included an evaluation of an employee's performance, conduct and compliance with company requirements and standards. Inspected the performance reviews for a sample of LSS new employees to verify that management evaluated new employees' performance, conduct and compliance with company requirements and standards within the probationary period. Inspected the performance reviews for a sample of LSS and IC employees to verify that management evaluated employees' performance, conduct and compliance with company requirements and standards annually. Inquired with IC management and inspected the IC employee listing hire dates to verify there were no IC new hires during the period.	Exception noted on the employee annual performance reviews. For 1 of 3 (33.3%) IC employees, completion of the performance review was not tracked. See Management's Response in Section 5. No exceptions noted on the LSS new hire and annual performance reviews. Unable to verify the operating effectiveness of the IC new hire performance review process as there were no IC new hires during the period.
6 Employee Discipline Process - A Disciplinary Action Policy is in place to provide progressive escalation and resolution of employee conduct to protect the best interests of the Company, its clients and employees.	Inspected the Disciplinary Action Policy to verify a policy was in place to provide progressive escalation and resolution of employee conduct to protect the best interests of the Company, its clients and employees.	No exceptions noted.

CONTROL OBJECTIVE 2: CLIENT SETUP		
CO 2	**Controls provide reasonable assurance that new client claim rates are accurate, and new client claim requirements and rates are complete and set up in accordance with client expectations.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
7	Client Workflows - Client workflows are set up in SubroChain® by the Business Development team to record each clients' claim handling requirements, such as authorization limits, specified by the client during the onboarding process.	Observed the Chief Operating Officer demonstrate examples of client workflows in SubroChain® to verify workflows were set up with clients' claim handling requirements. Inspected client workflows for a sample of new clients to verify the Business Development team set up workflows in SubroChain® to record each new clients' claim handling requirements, including any authorization limits, specified by the client during the onboarding process.	No exceptions noted.
8	System Edit Checks - The Subrogation system is configured with automated field and edit checks to ensure client accounts are set up completely.	Observed a Claims Supervisor demonstrate various field and edit checks used in the client set up process to ensure client accounts were set up completely. Inspected the Subrogation system claim feature validation rules to verify the Subrogation system was configured with automated field and edit checks to ensure client accounts were set up completely.	No exceptions noted.
9	Rate Review - Latitude fee rates for each client account entered into SubroChain® are reviewed by a second person and compared to the client agreement to verify accuracy.	Inspected the LSS fee rate verifications for a sample of new clients to verify fee rates entered into SubroChain® were reviewed by a second person and compared to the client agreement for accuracy.	No exceptions noted.
10	Workflow Requirement Changes - Business Development sets up an alert to notify Subrogation Specialists when a client's workflow rule changes so that the client's revised requirements are understood and complied with.	Inspected the client workflow alert setting and notification distribution list to verify Business Development set up an alert to notify Subrogation Specialists when a client's workflow rule changed. Inspected examples of workflow change alerts to verify Subrogation Specialists were notified when a client's workflow rule changed.	No exceptions noted.

CONTROL OBJECTIVE 3: CLAIM ASSIGNMENT		
CO 3	**Controls provide reasonable assurance that client claims are received and assigned to a Specialist as expected and in a timely manner.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
11 Subro Data Mining Validation - First notice of loss (FNOL) claims received on a scheduled basis from clients are monitored by the Quality Supervisor to verify subrogation files are received when expected. The client is contacted if files are not received.	Inspected the Mining Procedure to verify a process was in place to monitor first notice of loss (FNOL) claims. Inspected the subrogation mining dashboard to verify the Quality Supervisor monitored FNOL claims and verified subrogation files were received when expected. Inspected examples of escalation emails to verify clients were contacted if expected FNOL claim files were not received.	No exceptions noted.
12 Fire Claims - First notice of loss (FNOL) claims received from a client that are coded as fire claims are systematically assigned to a Subrogation Specialist for immediate processing.	Inspected the fire claims assignment setting to verify first notice of loss (FNOL) claims coded as fire claims were systematically assigned to a Subrogation Specialist for immediate processing.	No exceptions noted.
13 Assignment Completeness - SubroChain® automatically stages new claims in a queue for assignment to teams and individuals. Supervisors review the queues daily to verify all claims are assigned.	Inspected examples of new claims staging queues, including a Supervisor queue, to verify SubroChain® automatically staged new claims in a queue for assignment to teams and individuals and Supervisors reviewed the queues daily to ensure claims were assigned.	No exceptions noted.
14 Duplicate Check - SubroChain® is configured to alert personnel involved in the subrogation assignment process to potential duplicate assignments so that claims are not processed multiple times.	Inspected the duplicate assignments edit check message to verify SubroChain® was configured to alert personnel involved in the subrogation assignment process to potential duplicate assignments.	No exceptions noted.

CONTROL OBJECTIVE 3: CLAIM ASSIGNMENT		
CO 3	**Controls provide reasonable assurance that client claims are received and assigned to a Specialist as expected and in a timely manner.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
15 Acknowledgment Letter- The client is sent an acknowledgement letter as confirmation that the claim was received and assigned to a Specialist in a timely manner if required per the client workflow requirements.	Inspected the acknowledgment letters for a sample of clients with acknowledgment letter requirements to verify that the Specialist confirmed the claim was received and had been assigned to a Specialist in a timely manner if required per the client workflow requirements.	Exceptions noted on client acknowledgment letters. For 3 of 38 (7.9%) clients with acknowledgment letter requirements, the acknowledgment letter was not sent out to the client. For 3 of 38 (7.9 %) clients with acknowledgment letter requirements, the acknowledgment letter was not sent out timely. See Management's Response in Section 5.

CONTROL OBJECTIVE 4: RECOVERY PROCESSING		
CO 4	Controls provide reasonable assurance that subrogation and salvage claim recovery processing is accurate, complete, timely, commensurate with the individual claim circumstances and in compliance with client requirements.	
Control Activity Specified by the Service Organization	Test Performed by the Service Auditor	Test Results
16 Best Claim Practices - Management defined best claim practices (BCPs) to mitigate the risks inherent with subrogation for each line of business. The best practices are posted on the intranet to help guide subrogation teams in their subrogation claim handling activities.	Inspected examples of best claim practices (BCPs) to verify management defined BCPs to mitigate the risks inherent with subrogation for each line of business. Inspected a screen shot of the BCPs posted on the Company intranet to verify best practices were made available to help guide subrogation teams in their subrogation claim handling activities.	No exceptions noted.
17 Workflow Requirements - Client settlement and collection rules set up in SubroChain® are used by Subrogation Specialists to ensure claim recovery activities adhere to client requirements.	Observed a Client Account Manager demonstrate the client settlement and collection rules set up in SubroChain® that were used by Subrogation Specialists to ensure claim recovery activities adhered to client requirements. Inspected the quality audit questionnaire to verify that various client settlement and collection rules were used by Subrogation Specialists to ensure claim recovery activities adhered to client requirements.	No exceptions noted.
18 System Edit Checks - The Subrogation system is configured with automated field and edit checks to ensure claims are processed accurately and completely.	Observed a Claims Supervisor demonstrate various field and edit checks used in the client set up process to ensure client accounts were set up completely. Inspected the subrogation claim feature validation rules to verify the Subrogation system was configured with automated field and edit checks to ensure claims were processed accurately and completely.	No exceptions noted.

CONTROL OBJECTIVE 4: RECOVERY PROCESSING		
CO 4	**Controls provide reasonable assurance that subrogation and salvage claim recovery processing is accurate, complete, timely, commensurate with the individual claim circumstances and in compliance with client requirements.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
19	Reporting Dashboards - Specialists and Supervisors monitor the completeness and timeliness of claims recovery activities using various reporting dashboards available in SubroChain®.	Observed the Subrogation Supervisor demonstrate the process and SubroChain® dashboards that Specialists and Supervisors used for monitoring the completeness and timeliness of claims recovery activities. Inspected the SubroChain® dashboard listing and examples of various SubroChain® dashboards to verify Specialists and Supervisors had reporting dashboards available in SubroChain® to monitor the completeness and timeliness of claims recovery activities.	No exceptions noted.
20	Collections Validation Review - Prior to sending to collection, the Quality team first performs a validation review of the claim to verify minimum requirements have been met.	Inspected the validation review documentation for a sample of claims sent to collection to verify that the Quality team first performed a validation review of the claim to verify minimum requirements were met.	No exceptions noted.
21	Supervisor Spot Reviews - Subrogation Supervisors spot check their team's work on a monthly basis to ensure the client's claim is progressing satisfactorily. Supervisors provide the Specialist with guidance if corrective action is needed.	Inspected the spot review checks for a sample of months to verify Subrogation Supervisors spot checked their team's work on a monthly basis to ensure the client's claim was progressing satisfactorily. Inspected examples of Subrogation Supervisors' feedback to the Specialists to verify Supervisors provided the Specialist with guidance if corrective action was needed.	No exceptions noted.
22	Quality Reviews - To verify the accuracy and timeliness of overall claims recovery processing activities, the Quality team reviews a sample of each Specialist's assigned claims each month and evaluates the claim handling against pre-defined quality criteria and the client workflow requirements.	Inspected the Quality Auditing manual to verify the Quality team had a process to evaluate the accuracy and timeliness of overall claims recovery processing activities. Inspected the claims review documentation for a sample of months to verify that the Quality team reviewed a sample of each Specialist's assigned claims monthly to evaluate their claim handling against pre-defined quality criteria and the client workflow requirements.	No exceptions noted.

CONTROL OBJECTIVE 5: FINANCIAL RECOVERY PAYMENTS		
CO 5	**Controls provide reasonable assurance that subrogation and salvage recovery payments are received timely and applied accurately and completely applied to the client's claim.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
23 Payment Schedules - After an agreement is reached, a subrogation payment schedule is set up in SubroChain®, which automatically tracks payments against the agreement to help ensure that expected payments are all received, and accurately and completely applied to the client's claim.	Observed the Accountant set up different subrogation payment schedules in SubroChain® to verify a tracking process was in place to ensure expected payments were received, and accurately and completely applied to the client's claim. Inspected examples of subrogation payment schedules to verify payment schedules were set up in SubroChain® to automatically track payments against the agreement, helping ensure expected payments were received, and accurately and completely applied to the client's claim.	No exceptions noted.
24 Pending Payment Queue - A Payment Pending Queue is used to monitor uninsured parties payment schedules, and to identify and follow-up on any subrogation payments that are past due.	Observed the Subrogation Adjuster demonstrate the process for monitoring the Payment Pending Queue for uninsured parties' payment schedules and past due subrogation payments. Inspected an example of a payment pending queue to verify a queue was set up to monitor uninsured parties' payment schedules. Inspected examples of subrogation payment follow up emails and notes to verify follow up actions were taken on subrogation payments that were past due.	No exceptions noted.
25 Recovery Payment Postings - For each incoming payment applied to the client's claim, SubroChain® automatically calculates the client's proceeds and Latitude's fees based on the client rates set up in the rate tables.	Observed the Accountant demonstrate how SubroChain® automatically calculated a client's proceeds and LSS's fees based on the client rates set up in the rate tables when a payment was applied to the client's claim. Inspected an example of a rate table to verify client rates were set up in rate tables.	No exceptions noted.

CONTROL OBJECTIVE 5: FINANCIAL RECOVERY PAYMENTS		
CO 5	**Controls provide reasonable assurance that subrogation and salvage recovery payments are received timely and applied accurately and completely applied to the client's claim.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
26	Posting Balancing - On a daily basis, Accounting staff balance the totals posted to SubroChain® to manually calculated totals to verify all payments have been posted accurately and completely.	Inspected the balancing documentation for a sample of days to verify Accounting staff balanced totals posted to SubroChain® to manually calculated totals in order to verify daily payments were posted accurately and completely.	No exceptions noted.
51	Performance Measures - Key performance metrics are generated and reviewed monthly by management to track the Subrogation and Salvage Specialists' performance quality and timeliness of client recoveries, and identify improvement opportunities for coaching.	Inspected the key performance reviews for a sample of months to verify key performance metrics were generated and reviewed monthly by management to track the Subrogation and Salvage Specialists' performance quality and timeliness of client recoveries, and identify improvement opportunities for coaching.	No exceptions noted.

CONTROL OBJECTIVE 6: CLIENT INVOICING		
CO 6	**Controls provide reasonable assurance that financial recoveries and expenses invoiced to clients are accurate, complete and valid, and invoices and transfers are approved.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
27	New Vendor Validations - Accounting conducts a TIN verification on each new vendor to ensure vendor expenses processed by the Subrogation Specialist are from a valid entity.	Inspected the TIN verifications for a sample of new vendors to verify Accounting conducted a TIN verification on each new vendor to ensure vendor expenses processed by the Subrogation Specialist were from a valid entity.	Exception noted on the TIN verifications. For 1 of 8 (12.5%) new vendors, the TIN verification was not performed in advance of payment to verify the vendor was a valid entity. See Management's Response in Section 5.
28	Expense Invoices - Accounting validates the legitimacy and accuracy of expenses processed by the Subrogation Specialist by comparing expenses to the invoice prior to sending the repayment invoice to the client.	Inspected the expense comparisons for a sample of expenses to verify Accounting validated the legitimacy and accuracy of expenses processed by the Subrogation Specialist prior to sending the repayment invoice to the client.	No exceptions noted.
29	Monthly Client Statement Processing - Accounting staff utilize a Monthly Client Statement Listing control sheet to ensure client remittances are all processed and recoveries balance between SubroChain® and QuickBooks.	Inspected the Monthly Client Statement Listing control sheet for a sample of months to verify Accounting staff utilized a Monthly Client Statement Listing control sheet to ensure client remittances were all processed and recoveries balanced between SubroChain® and QuickBooks.	No exceptions noted.
30	Contingency Rate Validation - SubroChain® automatically calculates LSS contingency and Accounting staff manually validate contingency rates used to calculate LSS fees to clients as part of the monthly client remittance process.	Observed the Accountant demonstrate how SubroChain® automatically calculated a client's proceeds and LSS's fees based on the client rates set up in the rate tables when a payment was applied to the client's claim. Inspected the Monthly Client Statement Listing control sheet for a sample of months to verify Accounting staff manually validated contingency rates used to calculate LSS fees to clients as part of the monthly client remittance process.	No exceptions noted.

CONTROL OBJECTIVE 6: CLIENT INVOICING		
CO 6	**Controls provide reasonable assurance that financial recoveries and expenses invoiced to clients are accurate, complete and valid, and invoices and transfers are approved.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
31 Remittance Approvals - The month-end client remittance is reviewed and approved by Accounting management as evidence it is accurate and properly supported.	Inspected the client remittances for a sample of months to verify Accounting management reviewed and approved month-end client remittances for accuracy and proper support.	No exceptions noted.
32 ACH Transfers - ACH transfers occur only after approval by an authorized management user separate from the user who initiated the transaction.	Inspected the ACH documentation for a sample of ACH transfers to verify ACH transfers occurred only after approval by an authorized management user separate from the user who initiated the transaction.	No exceptions noted.

CONTROL OBJECTIVE 7: INSPECTIONCONNECTION CLAIM ASSIGNMENT		
CO 7	**Controls provide reasonable assurance that client claims are received and assigned to the most appropriate Specialist in a timely manner.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
39 IC Assignment Guidelines - Assignment guidelines are in place to ensure assignments are distributed to the Appraiser with the best skills to handle the work.	Inquired with the Director of Operations and Director of Specialty Operations about management's process for ensuring assignments were distributed to the Appraiser with the best skills to handle the work. Inspected an example of an IC assignment communication and assignment tracking spreadsheet to verify assignment guidelines were in place for ensuring assignments were distributed to the Appraiser with the best skills to handle the work.	No exceptions noted.
40 IC Assignments - The Latitude Claim Support team reviews the dispatching and claim assignments to ensure claims are assigned to the Appraiser with the appropriate expertise within the two hour internal best practice timeframe.	Inspected the claims assignment emails for a sample of IC claims to verify the Latitude Claim Support team reviewed dispatching and claim assignments to ensure claims were assigned to the Appraiser with the appropriate expertise within the two hour internal best practice timeframe.	No exceptions noted.
41 IC Claims Management Review - Incoming IC claims that are assigned outside the standard assignment guidelines require management review and approval to ensure the claims are assigned appropriately and timely.	Inquired with the Director of Operations and Director of Specialty Operations about management's process for reviewing and approving incoming IC claims that are assigned outside the standard assignment guidelines. Inspected an example of an IC special assignment communication and assignment tracking spreadsheet to verify incoming IC claims assigned outside the standard guidelines required management review and approval to ensure claims were assigned appropriately and timely.	No exceptions noted.

CONTROL OBJECTIVE 8: INSPECTIONCONNECTION CLAIM HANDLING		
CO 8	**Controls provide reasonable assurance that claims are handled accurately, completely and timely, and in compliance with the guidelines.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
42	IC Best Claim Practices - Management maintains a Best Claim Practices document on the IC intranet to guide the Appraiser on daily claim handling. Each employee is required to acknowledge the document upon hire and annually thereafter or whenever the document is revised.	Inspected the Best Claim Practices checklist to verify IC best claim practices were in place to guide the Appraiser on daily claim handling. Inspected a screen shot of the IC Best Claim Practices document located on the IC intranet to verify best claim practices were made available to guide the Appraiser on daily claim handling. Inquired with IC management and inspected the IC employee listing hire dates to verify there were no IC new hires during the period.	Exception noted on the IC employee Best Claim Practices acknowledgements. For 4 of 4 (100%) IC employees, the signed Best Claim Practices acknowledgment forms were not available. See Management's Response in Section 5. No exceptions noted on the IC Best Claim Practices document. Unable to test the operating effectiveness of the IC new hire Best Claim Practices acknowledgments because there were no new IC employees during the period.
43	IC Claim Tracking System - InspectionConnection utilizes a Claims Tracker application to assign, track and manage the accuracy, completeness and timeliness of claims.	Inspected the IC Claims Tracker application and examples of IC job aids to verify IC utilized a Claims Tracker application to assign, track and manage the accuracy, completeness and timeliness of claims.	No exceptions noted.
44	InspectionConnection Checklist - A Claim Checklist that includes all the steps needed to complete a claim is used to establish guidelines and requirements for Appraisers when completing assignments.	Inspected the IC Claim Checklist and examples of IC training aids to verify the documents included the steps needed to complete a claim and established guidelines and requirements for Appraisers when completing assignments.	No exceptions noted.

CONTROL OBJECTIVE 8: INSPECTIONCONNECTION CLAIM HANDLING		
CO 8	Controls provide reasonable assurance that claims are handled accurately, completely and timely, and in compliance with the guidelines.	
Control Activity Specified by the Service Organization	Test Performed by the Service Auditor	Test Results
45 InspectionConnection Quality Auditing - An Appraiser quality audit program is in place to monitor Appraisers' estimating accuracy and compliance with guidelines. For any deficiencies, management will identify the root causes and provide feedback to the Appraiser.	Inspected the quality audit program results for a sample of IC Appraisers to verify Appraisers' estimating accuracy and compliance with guidelines were monitored. Inspected examples of quality audit follow-up actions to verify that for any deficiencies, management identified the root cause and provided feedback to the Appraiser.	No exceptions noted.

CONTROL OBJECTIVE 9: INSPECTIONCONNECTION INVOICING		
CO 9	**Controls provide reasonable assurance that invoices presented to clients for InspectionConnection services are correct.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
46 IC Invoice Preparation- Accounting's invoice preparation process includes steps to validate the application of fees and avoid duplicates.	Observed the Accountant demonstrate the steps to validate the application of fees and avoid duplicates during the invoice preparation process. Inspected the IC Billing Process manual and an example of a billing workbook to verify Accounting's invoice preparation process included steps to validate the application of fees and avoid duplicates.	No exceptions noted.
47 IC Claim Tracking System Invoice Validation - Draft Invoices are generated based on claim assignment data managed within the IC Claim Tracker system and the information is validated by IC management prior to invoice preparation.	Inquired about the process for drafting invoices based on claim assignment data managed within the IC Claim Tracker system with the Director of Operations and Director of Specialty Operations. Inspected the draft invoice validation documentation for a sample of IC clients and months to verify information was validated by IC management prior to invoice preparation.	No exceptions noted.
48 IC Invoice Approvals - IC and Accounting management review and approve invoices monthly to verify that the client's invoicing requirements are met and accurate prior to sending to clients.	Inspected the final invoice approvals for a sample of IC clients and months to verify IC and Accounting management reviewed and approved invoices monthly to ensure client invoicing requirements were met and accurate prior to sending to clients.	No exceptions noted.

CONTROL OBJECTIVE 10: RISK MANAGEMENT		
CO 10	**Controls provide reasonable assurance that the Company assesses and manages risk associated with its operations and key service providers.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
33 ERM - A strategic level risk assessment is completed by the executive team annually to identify, prioritize and track mitigation on the most important risks to the company, such as fraud or market risk. A risk owner is identified to assess and pursue improvements where needed.	Inspected the ERM Policy to verify a strategic level risk assessment process for identifying and prioritizing risks and developing mitigation plans was in place. Inspected the Risk Assessment spreadsheet to verify a strategic level risk assessment was completed by the executive team annually; risk mitigation activities for various risks were identified, prioritized, and tracked; and a risk owner was identified to assess and pursue improvements where needed.	No exceptions noted.
34 Payment Fraud - The Finance Director and COO assess fraud risk over internal and external payment streams to ensure that sufficient controls have been established to prevent, detect or mitigate material fraudulent payments. Control improvements are identified and remediated and/or enhanced over time.	Inspected the Payment Fraud Risk and Control Plan to verify a plan was in place to assess fraud risk over internal and external payment streams to help prevent, detect or mitigate material fraudulent payments. Inspected the Risk Assessment spreadsheet to verify fraud risk was assessed by the Finance Director and COO, risks were remediated and control improvements were identified and/or enhanced.	No exceptions noted.
35 Insurance - Latitude retains corporate insurance to provide risk transfer for major exposures such as cyber and business risk.	Inspected the Latitude insurance policies to verify the Company retained corporate insurance to provide risk transfer for major exposures such as cyber and business risk.	No exceptions noted.
16 Best Claim Practices - Management defined best claim practices (BCPs) to mitigate the risks inherent with subrogation for each line of business. The best practices are posted on the intranet to help guide subrogation teams in their subrogation claim handling activities.	Inspected examples of best claim practices (BCPs) to verify management defined BCPs to mitigate the risks inherent with subrogation for each line of business. Inspected a screen shot of the BCPs posted on the Company intranet to verify best practices were made available to help guide subrogation teams in their subrogation claim handling activities.	No exceptions noted.

CONTROL OBJECTIVE 10: RISK MANAGEMENT		
CO 10	**Controls provide reasonable assurance that the Company assesses and manages risk associated with its operations and key service providers.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
38 Attorney Firm Insurance - The Legal department, who coordinates the use of attorney law firm vendors who handle subrogation litigation on behalf of Latitude for its clients, ensures that each firm maintains professional liability insurance annually.	Inspected the tracking spreadsheet of attorney law firm vendors who handle subrogation litigation on behalf of Latitude to verify the Legal department ensured each firm maintained professional liability insurance annually.	No exceptions noted.
97 Annually, the IT Director reviews attestation reports for its SaaS and IaaS service providers to evaluate the effectiveness of controls critical to the operation of LSS's SubroChain® system. Deficiencies are reported and discussed in monthly SubroChain® Steering Committee meetings to determine corrective course of action as needed.	Inspected the attestation report review presentations to verify the IT Director reviewed attestation reports for its SaaS and IaaS service providers, evaluated the effectiveness of controls critical to the operation of LSS's SubroChain® system, and reported and discussed deficiencies during the SubroChain® Steering Committee meeting to determine any necessary corrective courses of action.	No exceptions noted.

CONTROL OBJECTIVE 11: PHYSICAL ACCESS

CO 11	Controls provide reasonable assurance that physical access to information, key computing resources and sensitive areas is adequately controlled and limited to authorized personnel.		
Control Activity Specified by the Service Organization		**Test Performed by the Service Auditor**	**Test Results**
75	HR completes an Employee Departure Checklist to ensure requests for removal of system access and physical access to the Latitude Corporate Office is not overlooked. Once notified, IT disables access in a timely manner.	Inquired with the LSS Director of Operations and IC Director of Specialty Operations that no IC employees have physical access to the Latitude Corporate office. Inspected the Employee Departure Checklists for a sample of LSS and IC terminated employees to verify removal of physical access to the Latitude Corporate Office was not overlooked and IT disabled the terminated LSS employees' physical access in a timely manner once notified.	Exceptions noted on the physical access removals for LSS terminated employees. For 2 of 2 (100%) LSS terminated employees with physical access to the corporate office, documentation showing HR completed an Employee Departure Checklist and IT removed physical access could not be provided. See Management's Response in Section 5.
87	Access to the corporate facility is controlled by biometric locks. Access is monitored by an alarm system on entry points and video surveillance throughout the office.	Observed the biometric locks and alarm system during a virtual walk through of the Latitude office suite to verify access to the corporate facility was controlled by biometric locks, entry points were monitored by an alarm system and video surveillance was located throughout the office.	No exceptions noted.
89	Access to the LSS server room is controlled by a biometric lock. Access is restricted to a limited number of appropriate personnel.	Observed the biometric locking device during a virtual walk through of the Latitude office suite to verify access to the server room was controlled by a biometric lock. Inspected the list of employees with access to Latitude's server room to verify access was restricted to a limited number of appropriate personnel.	No exceptions noted.

CONTROL OBJECTIVE 12: LOGICAL ACCESS		
CO 12	**Controls provide reasonable assurance that logical access to key information systems is managed and limited to authorized users.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
71	User access to LSS systems and applications requires a unique user ID and password. Password settings for LSS controlled systems and applications are configured to enforce minimum password length, password complexity and/or periodic password rotations.	Inspected the LSS system and application password settings to verify passwords for LSS controlled systems and applications were configured to enforce minimum password length, password complexity and/or periodic password rotations. Observed the Director of Information Technology log in to the LSS systems and applications to verify user access to required a unique user ID and password.	No exceptions noted.
72	Employee access to M365, SubroChain®, and IC Claims Tracker requires multi-factor authentication to increase access security.	Observed the Director of Information Technology access M365, SubroChain®, and IC Claims Tracker to verify employee access required multi-factor authentication for increased access security.	No exceptions noted.
73	A role-based access control (RBAC) matrix, security groups and an Employee Onboarding Checklist are utilized to set up new employee access to LSS systems and applications. Access to systems and assigned permissions are based on the principle of least privileges. Additional access or access changes are approved by the user's supervisors prior to access being provisioned.	Inspected the role-based access control (RBAC) matrices and security groups to verify an RBAC matrix and security groups were utilized in the process of setting up new employee access to LSS systems and applications, and permissions were assigned based on the principle of least privileges. Inspected the Employee Onboarding Checklist for a sample of LSS new employees to verify an Employee Onboarding Checklist was utilized to set up access to LSS systems and applications. Inspected the approvals for a sample of SubroChain® access changes during the period January 1, 2023 to March 31, 2023 to verify access was approved by the user's supervisor prior to access being provisioned.	Exception noted on SubroChain® access change documentation. The SubroChain® listing of user access changes between April 1, 2022 - December 31, 2022 was not available due to system limitations. See Management's Response in Section 5. No exceptions noted with the RBAC matrices, security groups or SubroChain® access changes during the period January 1, 2023 to March 31, 2023.

CONTROL OBJECTIVE 12: LOGICAL ACCESS		
CO 12	**Controls provide reasonable assurance that logical access to key information systems is managed and limited to authorized users.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
75	HR completes an Employee Departure Checklist to ensure requests for removal of system access and physical access to the LSS Corporate Office is not overlooked. Once notified, IT disables access in a timely manner.	Inspected the Employee Departure Checklists for a sample of LSS and IC terminated employees to verify removal of system access to the Latitude Corporate Office was not overlooked and IT disabled terminated employees' system access in a timely manner once notified.	No exceptions noted.
76	IT reviews LSS system and application user accounts annually to assess appropriateness of role access and remove unused accounts so that only authorized users retain access.	Inspected the results of the annual user access review and examples of removed user accounts to verify IT reviewed LSS system and application user accounts annually to assess the appropriateness of role access and remove unused accounts so that only authorized users retained access.	No exceptions noted.
77	Client users are restricted to their own file storage containing their reports using their unique company identifier. In order to access their reports, clients authenticate to the Client Access Portal using their unique user ID and passcode.	Observed the Director of Information Technology access the Client Access Portal to verify access to the Client Access Portal required a unique user ID and passcode. Observed the Director of Information Technology demonstrate the client access restrictions in the Client Access Portal to verify client users were restricted to their own file storage using their unique company identifier.	No exceptions noted.

CONTROL OBJECTIVE 13: NETWORK SECURITY		
CO 13	**Controls provide reasonable assurance that the network infrastructure and processes are designed to minimize the threat of unauthorized access to data and applications.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
65 — Endpoint Protection software is installed to protect the LSS-controlled servers and workstations from malicious code or viruses. The software is automatically updated for new threat definitions.	Inspected the endpoint protection monitoring dashboard and screen shots of the software installed on the network and workstations to verify endpoint protection software was installed to protect the LSS-controlled servers and workstations from malicious code or viruses. Inspected the software threat update configuration to verify the endpoint protection software was automatically updated for new threat definitions.	No exceptions noted.
83 — Vulnerability with pen testing is performed at least annually by a third party solution on the Latitude network, servers and web portal. Latitude management reviews the results and a remediation plan is developed, if necessary, to address any significant vulnerabilities.	Inspected the vulnerability with PEN test results to verify testing was performed at least annually on the Latitude network, servers and web portal. Inquired with IT management and inspected the results of the vulnerability with PEN test to verify there were no significant vulnerabilities identified during the period.	No exceptions noted with the annual vulnerability with PEN test. Unable to test the operating effectiveness of the remediation plan development and discussion with management because there were no significant vulnerabilities identified during the period.
84 — IT management conducts phishing campaigns to raise security awareness. Management identifies and follows up with users who require additional training or oversight.	Inspected the phishing campaign training tool and an example of a campaign to verify IT management conducted a phishing campaign to raise security awareness. Inspected an example of a training follow up email to verify Management identified and followed up with users who required additional training or oversight.	No exceptions noted.

CONTROL OBJECTIVE 13: NETWORK SECURITY		
CO 13	Controls provide reasonable assurance that the network infrastructure and processes are designed to minimize the threat of unauthorized access to data and applications.	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
85	Firewalls are in place to protect the Client Access system and to prevent unauthorized access to LSS networks. Only a limited number of System Administrators have access to make changes to the firewalls.	Inspected the firewall rules to verify firewalls were in place to protect the Client Access system and prevent unauthorized access to Latitude networks. Inspected list of firewall Administrators to verify only a limited number of System Administrators had access to make changes to the firewalls.	No exceptions noted.
86	Intrusion Detection / Protection System (IDS/IPS) software is used on all LSS endpoints to identify and protect against malicious network traffic. Alerts are monitored and reviewed by the LSS IT Team to resolve issues reported on the centralized dashboard.	Inspected screen shots of the IDS/IPS software installed on the network and workstations to verify IDS/IPS software was used on Latitude endpoints to identify and protect against malicious network traffic. Inspected the endpoint protection monitoring dashboard and examples of IDS/IPS alert emails sent to LSS IT to verify alerts were monitored and reviewed by the Latitude IT Team to resolve issues reported on the centralized dashboard.	No exceptions noted.

CONTROL OBJECTIVE 14: CHANGE MANAGEMENT		
CO 14	**Controls provide reasonable assurance that changes to key application and infrastructure systems are reviewed and approved.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
96 SubroChain® and Client Access system changes are reviewed by IT management for completeness, discussed, and approved during weekly management meetings.	Inspected the change documentation for a sample of SubroChain® system changes to verify SubroChain® system changes were reviewed by IT management for completeness, discussed, and approved during weekly management meetings. Inquired with IT management and inspected the Client Access system log to verify there were no changes to the Client Access system during the period.	No exceptions noted on the SubroChain® system change reviews, discussions and approvals. Unable to test the operating effectiveness of the Client Access system changes because there were no changes during the period.
102 SubroChain® and Client Access system changes are tested and then approved by management prior to deployment.	Inspected the change documentation for a sample of SubroChain® system changes to verify SubroChain® system changes were tested and then approved by management prior to deployment. Inquired with IT management and inspected the Client Access system log to verify there were no changes to the Client Access system during the period.	No exceptions noted on the SubroChain® system change testing and approvals. Unable to test the operating effectiveness of the Client Access system changes because there were no changes during the period.
103 The Change Management Policy sets standards that ensure consistent and expected results during enhancements, implementations or other system changes.	Inspected the Change Management Policy to verify the Policy set standards that ensured consistent and expected results during enhancements, implementations or other system changes.	No exceptions noted.
104 Changes to in-scope systems are logged and tracked in a ticketing system to ensure changes flow through the appropriate change management steps.	Inspected the log of system changes from the in-scope ticketing systems to verify system changes were logged and tracked to ensure changes flowed through the appropriate change management steps.	No exceptions noted.

CONTROL OBJECTIVE 15 : BACKUP AND RECOVERY		
CO 15	**Controls provide reasonable assurance that key company data is backed up and policies are in place to respond to incidents and restore data and systems when needed.**	
Control Activity Specified by the Service Organization	**Test Performed by the Service Auditor**	**Test Results**
66 BCP - A Business Continuity Plan (BCP) is in place to help ensure timely resumption of critical business operations and systems in the event of various scenarios such as cyber attack, environmental event or similar disaster. The BCP is executed or tested at least annually and updated for lessons learned.	Inspected the Business Continuity Plan (BCP) to verify a plan was in place to help ensure timely resumption of critical business operations and systems in the event of various scenarios such as cyber attack, environmental event or similar disaster. Inspected the results of the BCP execution and plan updates to verify the BCP was executed or tested at least annually and updated for lessons learned.	No exceptions noted.
67 An Incident Response Policy is in place to guide in identifying, responding to, and mitigating both electronic and physical security incidents. The IT Director reviews and updates the Policy as needed for changes to the process.	Inspected the Incident Response Policy to verify a plan was in place to guide in identifying, responding to, and mitigating both electronic and physical security incidents. Inspected the Incident Response Policy version history to verify the IT Director reviewed and updated the Policy as needed for changes to the process.	No exceptions noted.
68 Subrogation and claims data backups for LSS systems and applications are performed on a scheduled basis. The completion of backups is monitored by the IT System Administrator for successful completion. Backup job failures are rerun the next business day.	Inspected the backup jobs, schedules and results of backups to verify subrogation and claims data backups for LSS systems and applications were performed on a scheduled basis. Inspected the backup alert notification configuration to verify the IT System Administrator monitored the completion of backups for successful completion. Inquired with IT management and inspected the backup log to verify there were no failed backups during the period.	No exceptions noted on the backup job schedules and monitoring. Unable to test the operating effectiveness of backup job failure reruns because there were no failed backups during the period.
69 The SubroChain® claim file storage system is replicated to a second data center, providing redundancy and geographical dispersity.	Inspected the SubroChain® claim file storage replication settings to verify the SubroChain® claim file storage system was replicated to a second data center to provide for redundancy and geographical dispersity.	No exceptions noted.

Section 5:

Other Information Provided by Latitude That Is Not Covered by the Service Auditor's Report

MANAGEMENT'S RESPONSE TO EXCEPTIONS

In addition to the information in Section 3, "Latitude's Description of Its Subrogation and Salvage Recovery Services and Vehicle Material Damage Appraisal Services System," and the controls outlined in Section 4, "Control Objectives, Related Controls and Tests of Controls," the following additional information is being provided as it may be relevant to the reader to obtain a better understanding of Latitude's exceptions and subrogation and salvage recovery services and vehicle material damage appraisal services. The following Management's Response to the exceptions noted in Section 4 and disclosures regarding processes and controls are not within the scope of this examination and have not been audited.

Control Activity	Test Results	Management's Response
CO 1 – Organization and Administration Controls: Controls provide reasonable assurance that Corporate personnel are properly vetted, understand their responsibilities within their reporting structure and adhere to company policies and procedures.		
5 *Performance Evaluations* - Employee performance reviews are conducted within the new employee's probationary period and annually thereafter to ensure satisfactory performance, conduct and compliance with company requirements and standards.	Exceptions noted on the employee annual performance reviews. For 1 of 3 (33.3%) IC employees, completion of the performance review was not tracked.	Latitude's HR department began tracking the completion of InspectionConnection employee performance reviews in October 2022. This action was part of the gradual integration of InspectionConnection practices following their acquisition on July 15, 2021. We believe the procedures in effect since October 2022 are effective.
CO 3 – Claim Assignment: Controls provide reasonable assurance that client claims are received and assigned to a Specialist as expected and in a timely manner.		
15 *Acknowledgment Letter*- The client is sent an acknowledgement letter as confirmation that the claim was received and assigned to a Specialist in a timely manner if required per the client workflow requirements.	Exceptions noted on client acknowledgment letters. For 3 of 38 (7.9%) clients with acknowledgment letter requirements, the acknowledgment letter was not sent out to the client. For 3 of 38 (7.9 %) clients with acknowledgment letter requirements, the acknowledgment letter was not sent out timely.	The exceptions were due to employees who are no longer with Latitude for performance reasons or were isolated errors. The employees responsible for the errors have been counseled. SubroChain® automation to support new claim acknowledgements will be implemented in Q4 of 2023 that will help ensure consistent delivery of acknowledgement letters.

Control Activity	Test Results	Management's Response
CO 6 – Client Invoicing: Controls provide reasonable assurance that financial recoveries and expenses invoiced to clients are accurate, complete and valid, and invoices and transfers are approved.		
27 *New Vendor Validations* - Accounting conducts a TIN verification on each new vendor to ensure vendor expenses processed by the Subrogation Specialist are from a valid entity.	Exception noted on the TIN verifications. For 1 of 8 (12.5%) new vendors, the TIN verification was not performed in advance of payment to verify the vendor was a valid entity.	W9s have been required for new vendors for many years. The TIN verification procedure, however, was added in October 2022. The exception was for a vendor added in August of 2022 prior to the implementation of the new TIN procedure. We are confident the controls in place since October 2022 accomplish this control objective.
CO 8 – InspectionConnection Claim Handling: Controls provide reasonable assurance that claims are handled accurately, completely and timely, and in compliance with the guidelines.		
42 *IC Best Claim Practices* - Management maintains a Best Claim Practices document on the IC intranet to guide the associates on daily claim handling. Each employee is required to acknowledge the document upon hire and annually thereafter or whenever the document is revised.	Exceptions noted on the IC employee Best Claim Practices acknowledgements. For 4 of 4 (100%) IC employees, the signed Best Claim Practices acknowledgment forms were not available.	Management is confident that employees are familiar with and utilize the BCPs through management oversight and performance reviews but could not demonstrate the acknowledgements during the audit. A procedure was implemented on May 8, 2023 to consistently obtain documented employee acknowledgement of Best Claim Practices forms. However, use of the BCPs is so integral to the daily process, a formal employee acknowledgement is not necessary.

Control Activity	Test Results	Management's Response
CO 12 – Logical Access: Controls provide reasonable assurance that logical access to key information systems is managed and limited to authorized users.		
73 A role-based access control (RBAC) matrix, security groups and an Employee Onboarding Checklist are utilized to set up new employee access to LSS systems and applications. Access to systems and assigned permissions are based on the principle of least privileges. Additional access or access changes are approved by the user's supervisors prior to access being provisioned.	Exceptions noted on access change documentation. The SubroChain® listing of user access changes between April 1, 2022 - December 31, 2022 was not available due to system limitations.	We are investigating options to increase our logging of user additions, deletions, and changes to ensure future user system RBAC, onboarding, and offboarding audits can be completed. SubroChain® (Salesforce) does indeed store access changes through the included logging feature – which were successfully used during this audit. Proof of all user access changes that were requested by management in an IT service ticket was successfully provided during this audit. No requested access changes were found to be unfulfilled as recorded in system logs. A user access change report has not been created in SubroChain because the requests are rare (1-3 per year) and handled by IT service tickets until the employee has the required access as requested by their manager to perform their job.

Control Activity	Test Results	Management's Response
CO 11 – Physical Access: Controls provide reasonable assurance that physical access to information, key computing resources and sensitive areas is adequately controlled and limited to authorized personnel.		
75 HR completes an Employee Departure Checklist to ensure requests for removal of system access and physical access to the Latitude Corporate Office is not overlooked. Once notified, IT disables access in a timely manner.	Exceptions noted on the physical access removals for LSS terminated employees. For 2 of 2 (100%) LSS terminated employees with physical access to the corporate office, documentation showing HR completed an Employee Departure Checklist and IT removed physical access could not be provided.	An annual audit conducted by LSS IT ensures that all terminated employees do not have access to any physical or logical systems. IT personnel use the Employee Departure Checklist as a guide to ensure physical and logical access is removed for terminated employees. We have confirmed that there have not been any incidents of terminated employees having access to or accessing the physical office to date due to our office being equipped with multiple layers of installed physical security. All office access is recorded on biometric door readers, security cameras, and an active alarm system protecting all points of entry. Both the security camera and alarm systems are monitored 24/7 by LSS management and a professional monitoring service, which Latitude purchased all available options.