

# Office of the **Internal Auditor**

# AUDIT REPORT October 2021

Financial Services  
Payables



## Table of Contents:

## Page



### **Executive Summary**

Background

1

Audit Objectives and Scope

1

Results

1



### **Appendix**

Distribution

3

Audit Performed by

3



## Executive Summary

### Background

In the normal course of doing business Citizens incurs expenses and pays supplier invoices, reinsurance premiums, premium tax, and sales tax. Citizens Financial Services department processes these invoices on the Company's Enterprise Resource Planning system (CenterPoint), which are subject to various stages of review and approval prior to payment authorization and release of funds.

In general, payables, as a process, have elevated risks associated with the potential for monetary loss through duplicate payments, unauthorized payments, payments made on non-received goods or services, and financial misstatement. Additionally, Citizens recently implemented system enhancements in the financial module of CenterPoint. These changes combined with elevated risks associated with the payables process dictated the need to evaluate the payables processes and related controls.

For 2020, Citizens processed approximately \$386 million in invoices. The table below identifies the number of payments and total dollar amounts by type for 2020:

	2020	
	#	\$
Supplier & Vendor Invoices	3,481	\$149,971,617
Reinsurance Premiums	30	\$219,952,036
Premium Tax Payable	4	\$15,972,588
Sales Tax Payable	4	\$16,494

### Objectives and Scope

To evaluate the effectiveness and adequacy of key business processes and control functions for payables. Our scope includes a review of the following areas:

- Vendor Set-up and Maintenance
- Invoice Processing from PO & Check Requests
- Check Processing and disbursements
- Positive Pay

Processes and controls related to wire transfers and ACH payments are not in scope for this audit. Internal Audit issued a report in August 2020 that evaluated the adequacy and effectiveness to monitor and manage the execution of both wire transfers and ACH payments. In addition, the Financial Services Payable area is not responsible for the processing or payment of payroll, claims, or return premiums and therefore will not be covered during this audit.

### Results

Results from our audit work indicate that there are effective business processes and controls in place to ensure timely, efficient, and accurate processing and recording of vendor payments. Financial Services has implemented policies and procedures to help ensure that Citizens' payments are made to legitimate businesses, vendor invoices are adequately supported, accurate, and paid in a timely manner.



## Executive Summary

Internal audit performed various manual and automated testing to ensure the controls over the following process are in place and working as intended:

- The Vendor set-up and maintenance is performed by the Vendor Management Office and has an adequate approval process in place with appropriate segregation of duties.
- The CenterPoint system is configured to only allow purchases from approved vendors that are established within the system in addition to routing purchase orders, invoices, and check requests through an appropriate series of approvers. Using data analytics, IA validated that all of the 3,400+ 2020 transactions were to approve vendors. In addition, through data analytics IA tested for duplicate POs, invoices, payments and for sequential invoices for all of 2020 and through February 2021.
- Tested transactions to ensure check amounts were approved in alignment with policy approval matrix.
- The adequacy and completion of the three-way match process was validated to ensure alignment with leading purchasing practices.
- Positive pay, which is a fraud prevention system offered by Citizens' bank (JP Morgan) to protect against forged, altered, and counterfeit checks, is in place and operating effectively.

During the audit we noted two minor observations which were shared with management and process enhancements are underway.

We would like to thank management and staff for their cooperation and professional courtesy throughout the course of this audit.



## Distribution

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**Business Leaders:**

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**Audit Committee:**

Erin Knight, Citizens Audit Committee Chair  
Carlos Beruff, Citizens Audit Committee Member and Chairman of the Board  
Scott Thomas, Citizens Audit Committee Member

**Following Audit Committee Distribution:**

The Honorable Ron DeSantis, Governor  
The Honorable Jimmy Patronis, Chief Financial Officer  
The Honorable Ashley Moody, Attorney General  
The Honorable Nikki Fried, Commissioner of Agriculture  
The Honorable Wilton Simpson, President of the Senate  
The Honorable Chris Sprowls, Speaker of the House of Representatives

The External Auditor

*Completed by Patrick Lynch, Internal Audit Manager  
Under the Direction of Joe Martins, Chief of Internal Audit*