

Office of the Internal Auditor

AUDIT REPORT

November 2022

Suspense Account
Audit



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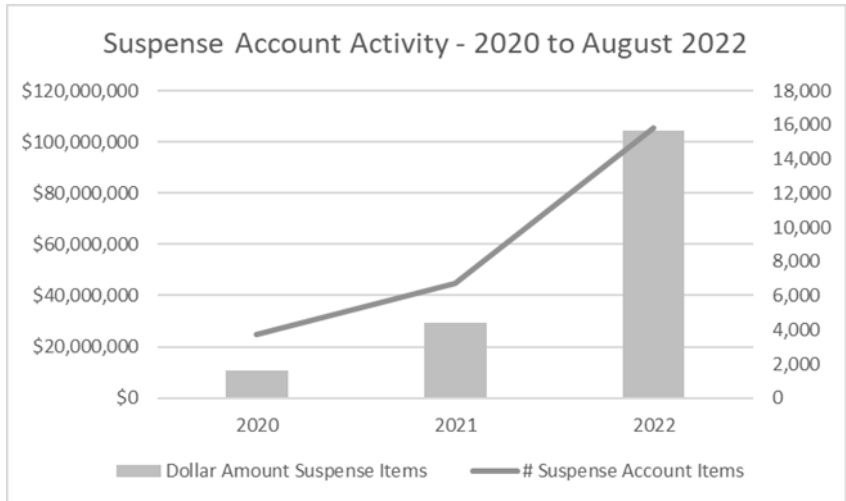
Executive Summary

Background

Citizens Financial Services area performs several accounting functions including managing suspense accounts. A suspense account is an account in the general ledger that is used to temporarily store transactions that require further analysis before a permanent assignment in the records can be made. Citizens has one primary suspense account in use, which allows time to research the nature of a transaction while still recording it on the company's books. The suspense account is used to record and research policy premium payments that have been received but not applied to a policy. Citizens' significant growth in policy count and premiums collected over the past two years has warranted a review of the suspense account(s).

Approximately 50% of suspense items are premium payments that come in via check. The other half of the suspense items come in via agents through PolicyCenter and the website via ACH. Most of these payments initially flow through the suspense account and are matched up electronically to a policy number. If there is no match, manual research is performed to find a matching policy. Unmatched payments are held in the suspense account for 15 days before being returned to the maker of the check. There are also automatic disbursements of payments if payment is received on a canceled policy, overpayment, or duplicate payment.

The graph to the right highlights the growth in activity of the suspense account in both dollars and the number of suspended items. This increase correlates with the increase in policy-in-force (PIF), which has increased from 542,739 in August 2020 to 1,026,829 in August 2022, which is approximately 90% over the same period. As of August 31, 2022, there were 133 aged unapplied items for a balance of approximately \$379,000 in the suspense account, with approximately 85% of the items less than 30 days old. While the activity has increased year over year the number of unapplied items and the balance has remained stable. Below is a table that shows the number of unapplied items and the dollar amount.



	Period End		
	12/31/2020	12/31/2021	8/31/2022
Aged Items	97	112	133
Balance	\$ 258,554	\$ 251,853	\$ 379,129



Executive Summary

Objective and Scope

The objective of the audit was to evaluate the adequacy and effectiveness of processes and controls in place to monitor and manage the transactions that flow through the suspense accounts. The scope will include a review of the following areas:

- Identify and review all suspense accounts
- Review account reconciliation policy and procedures
- Validate suspense accounts are properly managed including reconciliations, disbursements, and timely disposition of aged items
- Segregation of duties

Results

Overall, the accounting department successfully manages the suspense account despite a significant increase in policies and financial transactions passing through the premium suspense account. Internal Audit validated suspense account controls such as monthly reconciliations, disbursements, segregation of duties and the timely disposition of pending aged items are in place and working effectively.

There were two low-rated findings regarding the review and approval of the suspense account reconciliation and the need for desk procedures. These observations have been discussed with Management and remediation plans are in progress.

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:

Barry Gilway, President/CEO/Executive Director
Jennifer Montero, Chief Financial Officer
Andrew Woodward, VP-Controller

Audit Committee:

JoAnne Leznoff, 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

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