

Office of the
Internal Auditor

AUDIT REPORT

March 2024

Anti-Fraud Activities:
Occupational Fraud Program



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Executive Summary

Background

The Office of Internal Audit’s anti-fraud program encompasses the prevention and detection of occupational fraud. Occupational fraud is a term used to describe fraudulent activities committed by employees, management, or third parties against an organization. Citizens’ policyholders place trust in Citizens’ ability to assist and serve when in need, and the OIA anti-fraud program provides an approach to prevent, detect, and lessen the risk of internal fraud. Annually, Internal Audit performs the following activities to achieve this objective.

Annual Anti-fraud Program Activities

1. Occupational Fraud Awareness & Education

Citizens promote fraud awareness throughout the organization as part of the annual enterprise-wide mandatory fraud training and during employee onboarding. The OIA is working with the Special Investigations Unit, the Office of Inspector General, and Corporate Communications to educate and promote awareness through the annual Fraud Awareness campaign. OIA’s goal is to educate citizens’ employees on understanding what occupational (internal) fraud is, what to look for, and fraud prevention methods. Fraud-prevention poll questions and website articles provided employees with examples of identifying fraud red flags, how to report them, and who to contact for additional information.

2. Anti-Fraud Data Analytics

Internal Audit performs a proactive approach towards data monitoring through the data analytic anomaly detection program. The program focuses on a group of fraud analytics for the detection of potentially fraudulent activities within a 12-month rolling period. Each quarter, a set of analytic tests are run for key processes across the organization. The analytics identify outliers that are reviewed, analyzed, and validated through testing to ensure the activity is reasonable. Where anomalies are identified, a sample of high potential probability transactions is tested based on the risk to the organization, while others are evaluated for consideration in future audit planning. The table below describes the categories of analytics with results and evaluation of the activity for 2023.

Analytic Categories	Description	Number of Analytics	Results
Human Resources	Verifying employee data quality and accuracy align with source data.	21	Review, analysis, and sample testing were performed without the identification of fraudulent behavior.
Vendor, Procurement, & Payments	Verify vendor and procurement data quality and accuracy; validate alignment with corporate policies.	18	Review, analysis, and sample testing were performed without the identification of fraudulent behavior.



Executive Summary

Finance, Travel, & Expenses	Verify disbursement data quality and accuracy; validate alignment with corporate policies.	11	Identified two items for additional research on expenses charged to PCards which were included in an Audit. See the Targeted Audit section below.
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3. Results

Following the completion of the anomaly data analytics and assessment of the results, we noted certain types of anomalies that needed further research. to obtain reasonable assurance over the transaction results from the analytic tests. Our in-depth review of the data highlighted that an analysis was needed of instances where expense reports exceeded \$100K. These activities were further researched and incorporated into the scope of the Purchase Card audit. No fraudulent behavior was identified during the audit.

We thank management and staff for their support and professional courtesy throughout this engagement.



Distribution

Addressee(s) Tim Cerio, President/CEO/Executive Director

Audit Committee:

Jamie Shelton, 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 Wilton Simpson, Commissioner of Agriculture
The Honorable Kathleen Passidomo, President of the Senate
The Honorable Paul Renner, Speaker of the House of Representatives

The External Auditor

*Completed by Ximena Baquerizo and Peter Schellen, Internal Audit Managers
Under the Direction of Joe Martins, Chief of Internal Audit*