

Office of the  
Internal Auditor

# AUDIT REPORT

March 2024

Vendor Invoicing and Payment



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## Executive Summary

### Background

Citizens relies on numerous vendors, providers, and suppliers to furnish goods and/or services as part of its operations. As authorized by Citizens' Board of Governors and according to the terms and conditions of the agreements or purchase orders, these vendors invoice Citizens for those goods and/or services provided.

Following established procedures, Citizens processes vendor invoices, ensuring their accuracy, completeness, and compliance with applicable laws, terms, and conditions. This is achieved through a network of contract managers certified by the State of Florida who processed over 10,000 invoices for more than 400 contracts, agreements, and/or purchase orders during 2021 and 2022. Some of these contracts have distinct characteristics, including multi-million-dollar values and multi-year durations.

Citizens' Board of Governors requested Internal Audit to provide assurance concerning vendor invoice payment practices.

### Objectives and Scope

The purpose of this engagement was to assess and validate the processes and controls employed in the payment of vendor invoices and ensure that payments are made in connection with services or products received by Citizens. The scope of our audit included the following areas:

- Adequacy and effectiveness of controls for the invoice receipt, validation, and payment process
- Compliance with policies and procedures
- Validation of the accuracy of data and reports
- Analyze activities, information, and documentation for potential trends and opportunities

### Audit Results

Internal Audit completed a review of the processes for vendor invoice management and found the following favorable practices in place:

- There are adequate policies and procedures, including Corporate Policy 502, the Vendor Management and Purchasing Playbook, the Vendor Management Strategy, and the Contract Management Review Procedure governing vendor management and establishing requirements and responsibilities.
- Citizens' contract managers go through courses or contract management certification (depending on the contract value) provided through the State of Florida and contract management training provided by Citizens' Learning and Development.
- Contract management reviews are periodically conducted, and feedback is provided to contract managers.
- Invoices are handled through centralized systems. The Claims organization utilizes an Acuity/BillingCenter interface for legal defense invoices and VIP Software for certain claims services, and CenterPoint is used as the centralized system of record to receive and process all other vendor invoices.



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Our assessment included the evaluation of information and relevant documents (contracts, purchase orders, action items, etc.) and invoices for a judgmental sample of vendors. The population for the sample selection excluded legal defense firms managed by the Claims Legal Billing<sup>1</sup> department under the Claims organization.

Internal Audit validated the processes carried out by Vendor Management and Purchasing (VMAP) and Claims Vendor & System Management regarding invoice management. All documents associated with a particular vendor's agreement or purchase order were housed within the CenterPoint platform, which assisted in the verification process. Periodic payments (i.e., annual fees, memberships, or retainers) aligned with the corresponding agreements. Management produced corresponding approvals and/or supporting documentation without exception for time & expense, consumption, and variable payment invoices.

While Internal Audit's assessment did not note any exceptions, management is encouraged to consider the following improvement opportunities to enhance vendor invoice management practices:

- **Approval/Support Documents** – Contract managers are responsible for processing invoices, which may entail obtaining invoice approval from the business unit that received the goods or services. This approval is typically received in the form of an email and is not uploaded into CenterPoint. As a best practice, management should consider updating the process to include uploading approvals and/or any supporting documentation to the receipt section in CenterPoint to enhance accountability and avoid the risk of approvals getting misfiled or lost.
- **Invoice Submission** – On occasions, vendors may deviate from the standard process of sending invoices to Accounts Payable and may direct them to the contract manager. In the past, Contract Managers have forwarded the invoices to Accounts Payable and sometimes initiated the validation process. This practice should be discouraged as it may lead to confusion. Vendors should be reminded of the appropriate process in alignment with the respective contract or agreement.
- **Invoice Management Guidelines** – Some vendor invoices are currently managed at the business unit level in a decentralized fashion with no formal guidelines for invoice management. Management should consider developing and periodically reviewing uniform guidelines or best practices for invoice management, including LAE and ULAE payments. This, together with periodical touchpoints and calibrations for all contract managers, should help ensure a consistent and effective process.
- **Centralized Invoice Management** – As previously noted, some invoices are currently managed at the business unit level in a decentralized fashion and by contract managers for whom this may be a secondary or tertiary responsibility. Recently, VMAP has been organically assuming the management of contracts that were managed by the business units, the latest being Human Resources contracts. Management should analyze centralizing, as much as possible, contract and invoice management that is currently carried

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<sup>1</sup> In 2023 Internal Audit completed an examination of the Claims Legal Billing operation and reported the results in audit report 2023-AUD-13 – Claims Legal Billing Audit.



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outside of VMAP or Claims. This would help strengthen the consistency and transparency of the process.

These suggestions have been discussed with management and will be addressed. We thank management and staff for their cooperation and professional courtesy throughout this engagement.



## Distribution

Addressee(s) Spencer Kraemer, Senior Director – Vendor Management & Purchasing  
Greg Rowe, Senior Director – Claims Vendor & System Management  
Andrew Woodward, Vice President – Controller

**Business Leaders:**

Tim Cerio, Chief Executive Officer  
Jennifer Montero, Chief Financial Officer  
Jay Adams, Chief Insurance Officer

**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 Juan Carlos Rivera, Internal Audit Manager. Under the Direction of Joe Martins, Chief of Internal Audit*