

Office of the
Internal Auditor

Advisory Memorandum 2023

Print Mail Vendor





Advisory Memorandum

Background

Citizens, as part of its standard operating procedures, needs to print thousands of claims and underwriting-related documents every day. To meet this enormous task, Citizens uses two Florida State Term Contract Vendors, Exela Enterprise Solutions (Exela) and TC Delivers (TCD), to print and mail these documents.

The print-mail services include time-sensitive policy, claims, and billing documents sent to policyholders and other interested parties, such as mortgage companies. Document types include new policyholder packages, non-renewal and cancellation notices, reinstatement notices, claim estimates, and claims letters to policyholders and other interested parties. Printing payments related to claims and other parties (vendors, refunds) is completed internally by Citizens and not performed by the print-mail vendors.

On March 9, 2023, it was discovered that Exela had failed to print and mail more than 400,000 Citizens' documents since December 2022. This resulted in a service-level agreement breach that created a backlog in documents sent for printing. Internal measures were taken to engage TCD and onboard another print vendor through the emergency procurement process to quickly resolve the printing backlog. Additionally, letters were sent to notify agents and policyholders of the delayed printing of documents.

Citizens seed mail Quality Assurance process, which was also created to identify printing delays, was working as intended, however, the visibility of the backlog was not clear, which prohibited early recognition of the printing problems caused by Exela.

Objective and Scope

Internal Audit (IA) was engaged to review the services billed per Exela invoice to determine whether Citizens was correctly billed for services received since December 2022.

Internal Audit compared two sources of information, the Citizens' Backlog File and the Support for Invoices Files, to identify data matches between the backlog list and invoice support files. However, the comparison posed a challenge due to Exela's workflow and processing procedures, necessitating them to repackage the electronic print files received from Citizens. To address this issue, Internal Audit created a unique identifier to allow for comparison.

Results

Through a series of meetings with various stakeholders, Internal Audit discovered that Exela had improperly invoiced Citizens for all the print jobs in the Backlog file. Exela representatives, in a call recorded by Citizens with Exela's consent, admitted to invoicing based on the files received rather than the files printed. They further confirmed that the February and March 2023 invoices need to be amended to reflect the overcharge. Additionally, Internal Audit recommended that Exela amend the December 2022 and January 2023 invoices, which Exela agreed to research. Exela also agreed to give Citizens credit for the service level breach (for delayed mailings).

To determine the invoice amount overcharged by Exela, Internal Audit developed routines and ran cost analysis based on the latest version of the Exela backlog files received. Based on that,



Advisory Memorandum

IA estimated that Exela improperly overcharged Citizens approximately \$515K for the backlogged files between Dec 2022 to March 2023.

The chart indicates IA's best monthly estimate of the amount billed by Exela for print files that Exela failed to print:

Month	Overcharge Amount
Dec 2022	\$87 K
Jan 2023	\$151 K
Feb 2023	\$211 K
Mar 2023	\$67 K
Total	\$515 K

Following IA's review, the following opportunities were noted for improvement consideration:

- Streamline the reconciliation process by changing how file data is submitted to print-mail vendors. Management should consider moving from an asynchronous process to an automated synchronous process using a tool (such as SmartCOMM) that could provide a process through which Citizens IT systems are automatically updated daily to verify what the vendor has printed/completed to facilitate invoice reconciliation.
- Automate the reconciliation process so that any future printing incidents or delays are proactively identified. There is an existing PowerBI report (IT Dashboard) that could potentially be repurposed (once the data file delivery process is changed from asynchronous to synchronous) to help identify anomalies in the volume of processed/printed files.
- Compel print-mail vendors to only invoice Citizens for files printed and mailed (work completed) and not what the vendor received for printing (work received). This invoicing practice should be included in current and future contract language.
- Continue to enhance and automate the seed mail quality assurance process to include:
 - Augment the current quality assurance process to include more visibility (e.g., graphs and charts) into documents not printed or meeting service level standards.
 - Add seed mail for the Claims print bucket and others (e.g., for each file type).

It is further recommended that management proceeds with collecting all overpaid printing from Exela. IA has met with management to review the suggested improvements, and management concurred with IA's suggestions.

We thank management and staff for their cooperation and professional courtesy throughout this advisory.



Distribution

Addressee(s) Stephen Guth, VP-Enterprise Services
Sarai Roselle, Sr. Director-Product Management

Business Leaders:

Tim Cerio, President/CEO/Executive Director
Jay Adams, Chief of Claims
Jennifer Montero, Chief Financial Officer
Kelly Booten, Chief Operations Officer
Ken Tinkham, Deputy General Counsel
Ricky Polston, General Counsel & Chief Legal Office
Stephen Mostella, VP Underwriting
Mark Kagy, Inspector General

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 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 Kay Weldon, Internal Audit Manager
Under the Direction of Joe Martins, Chief of Internal Audit*