

Office of the
Internal Auditor

ENGAGEMENT REPORT

July 2025

Claims IA Invoice Processing



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Executive Summary

Background

Citizens Property Insurance (Citizens) contracts with more than twenty-five (25) Independent Adjusting (IA) firms to assist with processing and evaluating policyholder claims. When IA firms complete their services, vendors submit claim-level and daily rate invoices to Citizens for review and payment. The Claims Vendor Relationship Management (CVRM) function manages and monitors vendor billings, payments, and performance. With this oversight role, CVRM works closely with claims staff to review invoices for accuracy and approval while providing timely payment.

In 2024, Citizens processed approximately 114,000 IA firm invoices, accounting for \$127 million of payments, of which \$33 million was for non-catastrophe claims. Due to high volume and manually intensive invoice processing, management procured a comprehensive invoice and claims expense management application, which was fully implemented by the third quarter of 2023. This integrated vendor invoice submission software allows for improved automated billing and payment functionality while providing centralized access to invoices for better data analysis. The IA firms utilize the software to submit claim-level adjuster invoices (Fee Bill) and daily rate invoices (Timecard).

During catastrophic (CAT) events, invoice volume increases exponentially, placing an extraordinary pressure on staffing resources and increasing reliance on automation. The complexity and pace of operations during these periods may cause invoice processing challenges, vendor non-compliance, and potential for fraudulent activity.

Objectives and Scope

With this engagement, we evaluated the vendor invoice process to determine the effectiveness of invoice automation, processing, and monitoring capabilities. The scope includes a review of the following:

- Invoice automation, processing, approvals & payments
- Invoice oversight, monitoring, and reporting
- System integrations & user access reviews
- Security of confidential information
- Segregation of duties

Results

Internal Audit reviewed the IA vendor invoice process to verify that claims management received the contracted IA services and that payments made for these services were reasonable and properly authorized. During the evaluation of CVRM's activities, Internal Audit identified the following best practices:

- The integrated vendor invoice submission software has significantly improved the standardization and processing of invoices through automation, which includes a centralized invoice approval process.
- A comprehensive catalog of job aids and procedural documents was developed to assist the Claims Fee Bill Reviewers in reviewing and approving invoices.



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- CVRM personnel responsible for reviewing invoices demonstrate strong subject matter expertise and apply consistent practices to ensure alignment with established policies and procedures.

Invoice Payment Oversight

Internal Audit reviewed the automated approval invoices and tested a sample of manual invoice approvals of Fee Bill and Day Rate invoices. Overall, the automated and manual review processes have adequate controls and internal procedures to detect and prevent inaccurate invoice payments. Internal audit evaluated and confirmed that the system is effectively configured to calculate invoices accurately. Within the Claims Loss Adjustment Expense (LAE) Team, LAE personnel consistently review Fee Bill invoices to ensure the details align with established criteria based on the IA vendor contract agreement.

When vendor invoices are rejected for non-compliance, the service level standards require a service level monetary credit to be assessed and applied to IA Firms every quarter. In 2024, approximately 6% of the invoices were rejected for non-compliance. Management delayed the implementation due to the 2024 CAT activity. During the audit, management executed their action plan by establishing monitoring procedures and reporting mechanisms to identify the rejected invoices and ensure vendor compliance with service level standards.

Utilizing data analytics, Internal Audit reviewed the 2024 invoice population to validate that the corresponding payments were appropriate and made to the proper vendor. The current monitoring processes need enhancements to detect duplicate invoices or payments. To prevent future duplicate payments and strengthen the process, management should consider implementing exception reporting, reconciling invoices to checks issued, reinforcing training when reviewing multiple invoices from the same vendor, and implementing additional validation steps to identify any overpayments.

User Access Oversight & Monitoring

Internal Audit analyzed user roles and permissions to evaluate the appropriateness of assigned access. The audit identified inappropriate privileges on several active user accounts resulting from the absence of a periodic user certification process to review and validate system roles and authority levels. These items were discussed with management about the administrative permissions of some employees, terminated employees still having application access, and incompatible roles across the invoice process. Management has addressed the findings by revoking inappropriate access and implementing ongoing monitoring procedures.

In addition, the following control activities are minor recommendations that may further improve the vendor invoice control environment and have been discussed with management:

- *Software license & subscription review:* Management reconciles software invoice activity to validate the billed subscription amounts. Internal Audit recommends revising the dashboard to include additional data points to better understand the overall picture of the subscription transactions. This will enhance report accuracy and streamline management's review process. In addition, management should conduct an annual retrospective analysis to validate the final subscription payment.



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- *Formal auto-approved review process:* Management performs ad-hoc reviews on the system's auto-approved invoices. Internal Audit recommends establishing a structured annual or semiannual review to validate that the automation is accurately approving invoices in accordance with configurations. This will enhance the current automation capabilities and minimize the risk of system errors.
- *Invoice system automation enhancements:* As the system and processes continue to mature, management should consider expanding automation capabilities. Approximately 30% of invoices flow through automated system approvals, and these enhancements could assist the Claims LAE Team in optimizing resource allocation, reducing reliance on manual reviews, and minimizing the risk of overextending internal resources.
- *Enhanced security protocols:* Management is encouraged to implement enhanced security protocols to prevent unauthorized invoice activity and promote adherence to industry-standard security protocols.

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



Detailed Findings

1. Invoice Payment Oversight

Classification	Medium	Control Evaluation	Control not operating effectively
Observation	<p>The controls over the payment of independent adjusting firm invoices need to be enhanced, as in some instances, there have been multiple invoice submissions for the same claim task, manual payment approval errors, and multiple payments for the same claim task have occurred. Controls should be in place to prevent or detect duplicate invoices, duplicate checks for the same invoice, and errors in manual payment approvals.</p> <p>There should only be one payment per invoiced claim task submitted by independent adjusters.</p> <ul style="list-style-type: none"> • The automated software for duplicate invoice control does not always pick up duplicate invoices that have one character changed. • It was also noted that for 12 invoices, two (2) checks were printed and mailed for the same invoice. • In addition, the manual review of the invoices does not always identify the duplicates, which results in 4 invoice payments being approved in error and made to the firm. <p>Internal Audit performed data analytics on 114,000 paid invoices provided by CVRM for 2024 and identified sixteen (16) duplicate invoice payments totaling \$8,530 that were made in error due to operational deficiencies.</p>		
Cause(s)	Claims management was unaware that the controls were not fully working to prevent or detect overpayments to IA firms.		
Exposure	Inadequate review of invoice approvals can lead to incorrect payments, errors, potential overpayments, or duplicate payments, resulting in financial loss.		
Agreed Action	<p>Management is implementing the following controls:</p> <ol style="list-style-type: none"> 1) Develop a monthly report that highlights instances where a vendor was paid the same invoiced amount multiple times on a single claim. Although this is not uncommon, a manual review of the report and the claims will determine if any duplicate payments have been made in error. 2) Review the ClaimCenter activity pattern associated with IA invoices to determine if there is a more effective way to ensure the Claim Owner is aware that no action is required on their part, thus reducing the risk that they make a duplicate LAE payment based on that activity pattern. 		
Responsible Individual	Cherie Hamilton, Director – Claims Vendor & System Mgt	Completion date	September 26, 2025



Detailed Findings

2. User Access Oversight & Monitoring

Classification	Medium	Control Evaluation	Control is not appropriately designed
Observation	<p>Access to the vendor invoice submission software is not adequately restricted to authorized Claims personnel, and in some cases, access has not been promptly revoked for terminated employees.</p> <p>The following items were identified during the audit:</p> <ul style="list-style-type: none"> Administrative access to the system is not appropriately limited to Claims personnel. The audit identified 13 users with administrative permissions beyond their functional responsibilities, which gives elevated access to the system and invoice configurations. The users consisted of Claims Business Analysts, Project Administrators, Software Engineer, and Vendor Relationship Admin. Terminated employees whose system access has not been deactivated (18) were found. The invoicing software environment is outside of Citizens' network infrastructure, where Citizens' credentials are not utilized; therefore, the users are currently able to access the system. In addition, one (1) user who has Invoice Approval permission has not been identified in the Citizens employee directory. Claims personnel with approval responsibilities have administrative access to the invoice submission software and the ability to approve invoice payments (4). These two duties are incompatible for the same person to perform, as the person with the oversight job function should not have access to configure, process, and approve invoice payments. However, it has been determined that due to the high volume of invoices resulting from a catastrophic event, certain Citizens' employees undergo cross-training to assist with invoice payments during such an event. Those individuals may hold dual roles or permissions to accomplish their daily activities and provide catastrophe support. <p>The Citizens' Corporate Policy 401, Information Technology Resources, states that management is responsible for requesting employee access to Citizens' IT resources in accordance with the employee's job function and ensuring that the requested access is the minimum necessary or least privilege for the employee to perform his or her job. In addition, all terminated employees should have their system access removed promptly.</p> <p>Segregation of duties is a critical internal control designed to minimize the opportunity for errors or unauthorized activities to occur. Separating job functions ensures there is proper oversight and acts as a deterrent against fraudulent activities.</p>		
Cause(s)	Management does not have monitoring in place to perform a comprehensive review of user access.		



Detailed Findings

Exposure	Insufficient monitoring and restrictions of user access may result in system misuse, unauthorized or fraudulent invoice activity, or compromise the integrity of financial data.		
Agreed Action	The findings mentioned above have been addressed, and access and/or permissions have been removed, if warranted. Beginning in October 2025, management will conduct a quarterly review of the roles and users within the VIP software to ensure that access and permissions are still necessary for each user. The user's manager will confirm if access is still required. If access is not needed, the user will be deactivated from the system. If access is required but can be reduced, the user's role/permissions will be updated. A similar quarterly review is conducted for other Citizens' systems and has proven successful in monitoring user access. This quarterly review will commence in October 2025 and will be conducted quarterly thereafter.		
Responsible Individual	Cherie Hamilton, Director – Claims Vendor & System Mgt	Completion date	October 1, 2025



Distribution

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