

Office of the
Internal Auditor

Engagement Report

February 2026

Claims Check Processing



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Executive Summary

Background

During 2025, Citizens issued more than 700,000 claims checks for indemnity and expense payments, underscoring claims check processing as a critical operational function within the organization. Given the significant transaction volume and continued reliance on physical checks, the secure, accurate, and timely handling of these payments is essential and requires well-designed, consistently executed controls to mitigate the risk of misuse, fraud, operational errors, and potential financial loss.

Responsibility for claims check processing is shared across multiple functions. The Claims Check Processing Support team, in coordination with Accounting Operations and the Mail Center, is primarily responsible for ensuring that checks are properly safeguarded, accurately processed, and mailed in a timely manner in accordance with established procedures.

Objectives and Scope

The objective of this audit is to evaluate the design and operating effectiveness of controls governing the processing of claims check payments, with a focus on ensuring checks are safeguarded, accurately issued, and distributed in a timely manner. The audit will assess whether existing controls reasonably mitigate the risk of fraud, error, misuse, and financial loss associated with claims check processing activities.

The scope of this audit includes a review and evaluation of claims check processing controls and related procedures, including but not limited to the following areas:

- Governance structures, policies, and documented procedures related to check custody, handling, and processing.
- Physical security and access controls over check stock, check printing operations, and check processing and mailing facilities.
- Segregation of duties, system access permissions, and approval authority related to claims payment authorization, check issuance, and distribution.
- Preventive and detective controls designed to identify and prevent duplicate, unauthorized, altered, or fraudulent check payments.
- Reconciliation and monitoring controls over checks printed, mailed, voided, and issued, to ensure completeness, accuracy, and timely resolution of discrepancies.

Results

Overall, the Internal Audit found the claims check processing function to be well controlled, with no findings arising out of our review. The following favorable practices were noted as contributing to the effective management of the processing of claims checks:

- Restricted access controls to check storage, printing and processing offices with scheduled monthly reviews.
- Acceptable segregation of check printing and processing duties.
- Role-based payment authority limits with approval escalation in ClaimCenter.
- Adequate controls to alert and prevent potential duplicate payments.
- Secure storage and handling of blank check stock.
- Mailings are certified daily by the United States Postal Service.



Executive Summary

Opportunities for Improvement

Although this engagement noted no findings, Management is encouraged to review and consider the following improvement opportunities to further strengthen the processing of claims checks:

- **Formal Procedures** – The processing of claims checks is not formally documented through guidelines or procedures. The Claims Check Processing Unit currently uses one job aid related to proofs of mailing. Formally documenting the multi-departmental procedures involved may assist in improving efficiency, increasing accountability and preserving organizational knowledge.
- **Authority Limit Record Keeping** – We noted that ClaimCenter authority limits can be created/edited by managers, subject to established script parameters, and by business analysts, through ticket requests. While there are appropriate controls to capture the rationale as part of the process, our review of ClaimCenter’s authority limits change history screen noted that the rationale or ticket number associated with the creation or change of an individual’s authority limit is not shown in the report. Allowing this information to be displayed in the historic report screen may improve record-keeping transparency and create efficiencies by eliminating the need to look up the associated ticket in the ticketing system.
- **Physical Access** – While there is no indication of inappropriate access to any of the offices where checks are adequately and securely stored, printed or processed, management may wish to revisit the need for some of the accesses currently. For example, our review noted visitor badges and security guards with access to the check storage offices.

Conclusion

Based on the Internal Audit’s review, controls over the processing of claims checks are adequate and operating as intended, with no exceptions identified. The minor improvement opportunities identified are intended to support the documentation and governance of the process. These suggestions have been shared with management for their consideration.

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



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