

Office of the
Internal Auditor

Engagement Report

January 2026

Expense Review Advisory



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Executive Summary

Background

At Citizens, the Financial Services Department is responsible for reviewing employee expenditures for compliance with policy, reasonableness, and appropriateness. When an employee submits an expense report, the report is routed to the employee's direct manager for approval, then to the finance department for audit, approval, and reimbursement. The company processes approximately 16,500 individual expenses and 4,800 expense reports per 12-month period, reimbursing expenses on a weekly basis.

Objectives and Scope

The objective of this advisory was to evaluate the expense review process, with specific emphasis on policy-defined thresholds for expense types, to determine the efficiency and effectiveness of the activities performed by the Financial Services Department. Management approached OIA with the specific request to analyze expense data, risk-rank expense categories, and suggest any improvements that may result in more efficient resource utilization. Key focus areas included:

- **Trend Analysis** – Review expense categories, amounts, and compliance with expense policy over a reasonable period to identify meaningful trends.
- **Threshold Requirements** – Using the established category thresholds, identify expenses requiring review versus those within expected ranges.
- **Policy/Desk Procedure Analysis** – Review the policy, procedures, and documented guidelines for the review process to ensure maximum efficiency in the expense audit and reimbursement process.

Results

After a detailed analysis of expense data from October 2024 to October 2025, OIA noted the following:

- Citizens Financial Services Department reviews roughly 16,500 individual expenses and 4800 expense reports annually.
- While defined thresholds exist for certain types of expenses, they were not being applied prior to the review process performed by the financial services department.
- Meals, Per Diem, Parking and Lodging make up roughly 45% of expenditures by volume.
- Top 25 expenses-submitting employees are generally reimbursed for travel, catastrophe operations, and rewards/recognition programs.

Additionally, the analysis performed indicated that once policy thresholds are applied to the common expenses listed above, the number of individual expenses and expense reports requiring further action beyond direct line manager review significantly declines.

Conclusion

The employee expense review process is working as intended and generally does a good job of ensuring expenses follow policy and are reimbursed appropriately. That said, the process requires a considerable amount of time and effort, particularly for lower-risk expenses that already fall within established policy limits.



Executive Summary

Based on our analysis, there are opportunities to improve the process without increasing risk. Applying existing expense thresholds earlier in the process, relying more on direct manager review for routine expenses, and utilizing system-based controls would enable the Financial Services Department to allocate more time to reviewing higher-risk or unusual expenses.

The following opportunities were identified to help improve efficiency while maintaining appropriate oversight:

- Use existing policy thresholds during the expense review process and apply them to the review process. Expenses that are at or below the established threshold can be reviewed and approved by the employee's direct manager, without requiring additional review by the Financial Services Department.
- Configure and use audit rules within Centerpoint (Oracle) to automatically apply thresholds and route only expenses and expense categories that exceed those limits for further review. If the system cannot support this, work with IT to develop a practical solution.
- Provide additional training and communication to direct line managers throughout the organization to reinforce their role in the expense review and approval process. This could include periodic reminders, targeted training, and an annual acknowledgement of their responsibilities under the expense policy.
- Perform ongoing analysis of expense rejection rates, high-volume or high-dollar submitters, and other unusual patterns. This information can be used to perform targeted reviews as needed and should align with the threshold strategy outlined above.

Through the above methods, Citizens could actively address the same level of risk with more efficient resource utilization.

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



Distribution

Addressee(s) Mike Sills, Sr. Director Accounting & Budget

Business Leaders:

Tim Cerio, President/CEO/Executive Director
Jennifer Montero, Chief Financial Officer
Andrew Woodward, VP - Controller
Mark Kagy, Inspector General

Audit Committee:

Jamie Shelton, Audit Committee Chair
Carlos Beruff, Audit Committee Member and Chairman of the Board
Robert Spottswood, Audit Committee Member

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The External Auditor

Completed by Kyle Sullivan, Internal Audit Director, under the Direction of Joe Martins, Chief of Internal Audit.