



# AUDIT REPORT

## Special Payment Programs

August 24, 2017

| <b>Table of Contents:</b>  | <b>Page</b> |
|----------------------------|-------------|
| <b>Executive Summary</b>   |             |
| Background                 | 1           |
| Audit Objectives and Scope | 2           |
| Audit Opinion              | 3           |
| <b>Appendix</b>            |             |
| Definitions                | 3           |
| Distribution               | 4           |
| Audit Performed By         | 4           |

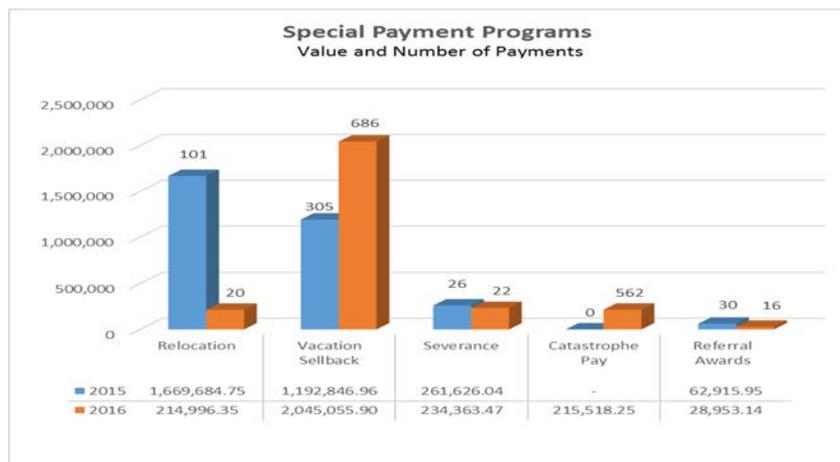
# Executive Summary

## Background

Citizens has implemented five programs to provide payments to employees outside of the standard bi-weekly payroll. These programs relate to catastrophe pay; employee referral award; severance pay; relocation allowance; and vacation sellback. Each program is supported by a corporate policy which includes eligibility and payout criteria and authorization procedures. The policies are administered by Human Resources and all disbursements are made through the payroll system.

- Catastrophe Pay remunerates employees who are deployed, dispatched or asked to work hours in the event of a catastrophic event. Individuals receiving payments under this program must have prior approval and meet specific eligibility criteria. All payments are made based on the rates established by the policy and are paid through the normal payroll process.
- Employee Referral Award supports Citizens’ recruitment efforts and the engagement of employees in identification of suitable talent. Currently referrals, for all positions, receive a standard award and payments are grossed up for taxes.
- Severance Pay is designed to provide limited financial support and benefits to employees who are involuntarily terminated without cause. Severance payments are based on criteria established by the policy and are supported by a written and approved severance agreement. All severance payments are made during regular payroll cycles during the severance period.
- Relocation Payment assists new hires and current Citizens employees in relocation efforts as required by their Citizens employment. It is intended to assist Citizens in attracting, hiring, and retaining talented, customer focused individuals who will contribute to the overall success of the organization. Relocation payments are grossed up for taxes and paid in a single lump sum. Employees that voluntarily separate within one year of the date of hire or date of relocation are required to reimburse the entire payment.
- Vacation Sell Back is optional and employees can elect annually to convert earned vacation hours into a cash value. Eligibility requirements and maximum allowable sellbacks are set by the policy.

The following graphic shows the related payments for each program for 2015 and 2016. Variations between 2015 and 2016 are explained below the graphic.



## Executive Summary

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Between 2015 and 2016 relocation payments decreased by 87%. The expense in 2015 was due primarily to the relocation of positions within Systems and Operations from Tallahassee to Jacksonville. The 71% increase of vacation sell back payments in 2016 was the result of a change in the application of the tax laws. Because there were no events in 2015, there were no catastrophe payments made and payments in 2016 were the result of hurricanes Hermine and Matthew. Referral awards declined by 54% from 2015 to 2016 primarily because of the reduction in hiring during 2016.

### Audit Objectives and Scope

The objective of this audit was to evaluate the adequacy of the design of controls to ensure compliance with the respective corporate policies and to determine the effectiveness of those controls to ensure that:

- Eligibility requirements were met
- Payments were in accordance with policy and properly authorized
- Payments were accurately calculated, and
- Disbursements were made only to the correct individual.

The objectives of this audit were accomplished by reviewing the related corporate policies, interviewing management and staff of Payroll, Recruiting, Human Resources Shared Services and Legal Services, and reviewing documentation supporting payments made during 2015 and 2016 for each of the five special payment programs.

### Audit Opinion

The overall effectiveness of the processes and controls related to compliance with the Catastrophe Pay, Employee Referral Awards, Severance Pay, Relocation Payments and Vacation Sellback programs is rated as **Satisfactory**.

We observed that corporate policies supporting these programs clearly identify eligibility and payout criteria and authorization procedures. Controls are adequately designed to ensure that these eligibility requirements are met, transactions are properly authorized and that payments are accurately calculated and properly distributed. Detailed testing of transactions for all five programs confirmed that these controls are working effectively.

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

# Appendix 1

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## Definitions

### Audit Ratings

#### Satisfactory:

The control environment is considered appropriate and maintaining risks within acceptable parameters. There may be no or very few minor issues, but their number and severity relative to the size and scope of the operation, entity, or process audited indicate minimal concern.

#### Needs Minor Improvement:

The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some minor areas of weakness in the control environment that need to be addressed. Once the identified weaknesses are addressed, the control environment will be considered satisfactory.

#### Needs Improvement:

The audit raises questions regarding the appropriateness of the control environment and its ability to maintain risks within acceptable parameters. The control environment will require meaningful enhancement before it can be considered as fully satisfactory. The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some noteworthy areas of weakness.

#### Unsatisfactory:

The control environment is not considered appropriate, or the management of risks reviewed falls outside acceptable parameters, or both. The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate pervasive, systemic, or individually serious weaknesses.

## Appendix 2

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### Distribution

Addressee(s) Carrie Thomas, Director - Total Rewards  
Silvana Iuretig, Director - Recruitment and Contingent Staffing  
Lori Andrade-Dillingham, Director - HR Business Partner Management

Copies **Business Leaders:**  
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Nancy Staff, Director - Ethics and Compliance  
Bruce Meeks, Inspector General

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The Honorable Jimmy Patronis, Chief Financial Officer  
The Honorable Pam Bondi, Attorney General  
The Honorable Adam Putnam, Commissioner of Agriculture  
The Honorable Joe Negron, President of the Senate  
The Honorable Richard Corcoran, Speaker of the House of Representatives

The External Auditor

### Audit Performed By

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Lead Auditor Bill Atwood, Senior Internal Auditor

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*Under the Direction of* Joe Martins  
*Chief of Internal Audit*

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