



Council Auditor's Office

Follow-Up on City Wire Transfers Audit

Report #800A

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



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Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our follow-up review of our past report #800, City Wire Transfers Audit, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. The initial audit report can be found on our website.

We sent a follow-up letter to the City’s Chief Administrative Officer on July 7, 2020 inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees’ responses to the recommendations, and the auditees’ responses to our follow-up letter. We then performed limited testing to verify the responses.

Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

Types of Issues	Original Number of Issues	Issues Cleared	Remaining Issues
Internal Control Weaknesses	4	2	2
Findings	5	4	1
Opportunities for Improvement	0	0	0
Total	9	6	3

The following is a brief summary of the remaining issues with responses from the Treasury Division that we received on May 14, 2021.

Internal Control Weakness 1 *Wire Requests Not Initiated in Accounting System*

In the original audit, we found that City departments would send wire transfer out requests to the Treasury Division via email or via interoffice mail, and then Treasury reviewed the supporting documentation received and processed the wire transfer. The Treasury Division would contact the requesting department only if any relevant information or documentation was missing in the wire request package. Once the wire transfer was processed, a Treasury employee initiated the corresponding journal entry in the accounting system, and a second Treasury employee (a supervisor)

would electronically approve the transaction. We recommended that the Finance Department review the wire transfer request process. Departments requesting a wire transfer should make the request via the accounting system (i.e., the corresponding transaction could be initiated by the requesting department instead of being initiated by the Treasury Division in the accounting system). Treasury should only process wire transfers that have been properly requested/initiated through the accounting system after it has been approved by the Accounting Division, in conjunction with having all other required documentation.

During our follow-up, we found that outgoing wire transfers were not requested via the accounting system. We randomly selected 10 recent wire transfers for testing and found that 7 out of 10 wire payments were not approved by the Accounting Division (or subject to certain dollar thresholds by just the accounting system with automated verifications) prior to Treasury making the transfers. In other words, the transaction was recorded and approved by the Accounting Division in the accounting system after the wire was sent to the payee. We still recommend that wire transfers be requested via the accounting system and payments should not be processed until approved by Accounting Division (or the accounting system subject to reasonable dollar thresholds) as required by the Municipal Code.

Treasury Division Response to the Follow-Up of Internal Control Weakness 1

Agree

Disagree

Partially Agree

We agree that outgoing wire transfers were not requested via the accounting system. During the original audit, the City's accounting system did not have the functionality for Departments to enter a wire request and have the request routed to Treasury for processing. During the follow-up audit period, the City implemented a new accounting system that was not configured to allow Departments to enter payment requests. The implementation decision was to centralize Accounts Payable invoice entry in Accounting. For the balance of FY20, Treasury used 'best efforts' to obtain signatures on wire requests from Accounting and submit the payment information to Accounts Payable as soon as possible. However, many Accounting personnel were working remotely during the COVID-19 pandemic lockdowns. Issues with remote personnel and a new system implementation created delays in getting wire payments entered in the new system. Wire transfers are generally only made when there is a valid business purpose and compliance is time sensitive. Beginning with FY21, improvements were made to the processes surrounding wire transfer payment processing. Treasury receives wire transfer requests with all required back up from Departments and, after review of the documentation, the payment request is entered into the Accounts Payable module by Treasury. The following elements are automatically validated by the system: active supplier profile in ICloud, complete account code string with receipted PO number or valid project POETA, and available budget. The validated invoice is then sent by system workflow approval to the Finance and Administrative Manager in Treasury along with the bank wire transaction for review and approval at the same time. In instances where the Treasurer or CFO needs to approve the wire in the bank, the Treasury Finance and Administrative Manager will re-route the ICloud workflow approval to the Treasurer or CFO. This process makes use of designed system controls in order to more efficiently process payments where time is an issue.

Internal Control Weakness 4 *Sign Off by the Treasurer Was Not Required for Wires*

In the original audit, we found wire payments that did not require approval by the City’s Treasurer or another higher-level authority. These wire transfers were generally initiated and only reviewed by Treasury personnel. We recommended that wires over a certain threshold (e.g., \$5 million) be approved by the Treasurer by logging on to the online banking system to approve the wire or via a call back to the Treasurer by the bank. We also recommended that the Treasurer approve all wires initiated and reviewed solely within the Treasury Division.

There was not a policy put in place, so we continue to recommend that the City’s Treasurer approve wire transfers over a certain dollar threshold (and wires initiated and reviewed only in the Treasury Division, if needed) prior to sending them to the payee as recommended in our original audit.

Treasury Division Response to the Follow-Up of Internal Control Weakness 4

Agree Disagree Partially Agree

We agree that all wire payments should be approved within the system workflow as outlined above. Also, wire payments over \$5 million should be approved by the Treasurer or CFO through the workflow and the online banking system.

Finding 2 *Wire Transaction Procedures Inconsistent with Municipal Code*

In the original audit, we found that wire transfer requests are sent directly by the requesting department to the Treasury Division, instead of sending the invoices first to the Accounting Division for approval as required by the Municipal Code. Section 110.107 of the Municipal Code states that “moneys shall be paid by the Treasury Division only on vouchers which have been approved by the Accounting Division.” We recommended that payments be approved by the Accounting Division before Treasury disburses any funds to payees as required by Section 110.107 of the Municipal Code.

During our follow-up, we found that outgoing wire transfers were not requested via the accounting system. We randomly selected 10 recent wire transfers for testing and found that all 10 wired payments were not approved by the Accounting Division in the accounting system prior to Treasury making the electronic wire transfers. In other words, the transactions were recorded and reviewed by the Accounting Division in the accounting system after the wires were already sent to the payee; however, as noted in Internal Control Weakness 1, three were approved outside of the accounting system by the Accounting Division prior to payment.

We still recommend that wire transfers be requested via the accounting system and that payments be approved by the Accounting Division before Treasury disburses the funds as recommended in our original audit and required by the Municipal Code.

Treasury Division Response to the Follow-Up of Finding 2

Agree

Disagree

Partially Agree

We agree that wire transfers system controls have been designed and implemented to replace the antiquated AP voucher system for invoice payments. All wire payments will be approved through the workflow prior to online banking system approval of the outgoing wire payment.

We would like to thank Treasury Division for their cooperation in conducting this follow-up review.

Respectfully submitted,

Kim Taylor

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Council Auditor