

INTEROFFICE MEMORANDUM

Date: November 23, 2011

To: Honorable Mayor Ronald Jones

Members of the City Council Members of the Audit Committee

From: Craig Hametner, City Auditor

Subject: Wire Transfer Audit – Follow-up

This is a follow-up of the report "Wire Transfer Audit" issued on March 01, 2010. The original audit was a review and evaluation of internal controls in addition to the verification of the timeliness and accuracy of wire transfers. The follow-up audit was not intended to be a detailed study of every relevant system, procedure, and transaction. We were to review Finance's previous audit findings and make sure recommendations were implemented.

We performed this follow-up audit of the Finance Department under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

This audit follow-up was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our previous recommendations.

To verify that recommendations had been implemented, we performed the following:

- Matched wire transactions with Wire transfer payment forms
- Verified the enforcement of segregation of duties
- Ensured that policies and procedures were in place
- Performed gap analysis on wire transfers
- Inquired of bank personnel and ran reports from the bank website
- Interviewed Finance personnel

Findin #	g Finding	Recommendation	Management Response	Follow-Up	Status
1 (Obj. 1	Segregation of Duties	entering, approving and releasing wire transfers.	Concur; Additional staff in Finance will be authorized to enter and approve wire transfers in the depository bank wire transfer system to ensure proper segregation of duties. The Wire Transfer audit action plan will begin by March 1,	 A. Internal Audit (IA) ensured that the bank depository wire transfer application enforces segregation of duties for: Entry and approval Release of wire transfers B. IA ensured that security access settings modifications required approval from two separate administrators for administrator level access. 	Fully Implemented

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2 (Obj. 1)		gives specific names of people to authorize payment for each department. B. We recommend the City Manager reviews Directive #1 for any updates such as approval list and/or to increase department approval dollar limits. Finance should ensure each department of the City is in compliance with the Administration Signature Authority for Expenditures Directive #1 when authorizing payment to a vendor.	Concur; A. Finance will develop a departmental wire transfer approval list. B. Finance will coordinate a review and possible revision to Administration Signature Authority for Expenditures Directive #1 to ensure compliance with dollar limitations. The Wire	maintain a departmental approval list for wire transfers. B. No revisions to the Administration Signature Authority for Expenditures Directive #1 have been performed.	A. Not implemented B. Not implemented

Finding #	Finding	Recommendation	Management Response	Follow-Up	Status
3 (Obj. 2)	, ,	prepaid check (wire transfer) to be tracked, accounted for, and reported even if it has been deleted in the finance system.	Concur; Finance has a manual tracking system in place to account for issued prepaid checks. The Wire Transfer audit action plan will begin by March 1, 2010. Each audit finding will be	analysis. We verified documentation for all	Fully Implemented

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4 (Obj. 2)	EFTAF Form	We recommend Finance keep an Electronic Fund Transfer Authorization Form (EFTAF) on file for each vendor and reconcile the bank information on file to the information on the invoices before processing payment.	wire transfers are issued according to current wire transfer instructions. The Wire Transfer audit action plan will begin by March 1, 2010. Each audit finding will be accomplished by June 30, 2010. New:	Finance does not maintain an EFTAF form. Currently, the vendor provides wire transfer instructions on their invoice to the City department. The department then processes this information to Finance. The wire instructions on the invoice can be altered during this process. If the wire instructions on the invoice appear to be altered, Internal Audit recommends Finance to at least verify the altered instructions with the vendor, before payments are processed. This will prevent money from being wired to the wrong account.	

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5 (Obj. 1)	Policies & Procedures	department develop policies and	Prior: Concur; Finance will develop policies and procedures for wire transfer transactions. The Wire Transfer audit action plan will begin by March 1, 2010. Each audit finding will be accomplished by June 30, 2010. New: Financial Services will update written policies and procedures for wire transfers.	Finance has not developed any policies and/or procedures for wire transfers.	Not Implemented

Findi	g Finding	Recommendation	Management Response	Follow-Up	Status
6 (Obj.	Transaction Detail Report	We recommend Finance run and maintain a monthly transaction detail report from Chase to ensure a tracking system is in place.	Prior: Concur; Finance will periodically download transaction detail data from the depository bank to ensure transaction history is readily available. The Wire Transfer audit action plan will begin by March 1, 2010. Each audit finding will be accomplished by June 30, 2010. New: Financial Services will periodically download the transaction detail report from the depository bank.	Finance does not maintain a monthly transaction detail report from Chase to ensure a tracking system in place.	·