



June 28, 2017

Performance Audit

ACH and Wire Transfer Payments

Department of Finance and Administrative Services –
Treasury Division

Report No. 16-104



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT**

PERFORMANCE AUDIT REPORT
ACH AND WIRE TRANSFER PAYMENTS
DEPARTMENT OF FINANCE & ADMINISTRATIVE SERVICES
TREASURY DIVISION
REPORT NO. 16-104

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ACH & Wire Transfer Payments

Performance Audit

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Audit #16-104

The purpose of this audit was to determine if ACH and wire transfer payments are approved, authorized, supported, accurate, timely, and valid.

Recommendations

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DFAS-Treasury should:

- Revise its internal EFT Policy to address specific processes and daily operations.
- Work with the Department of Technology and Innovation to establish a business continuity plan that documents how to continue daily operations in the event of unforeseen service disruptions.
- Ensure that all employees are aware of, and comply with, the division's EFT Policy.
- Annually require that DFAS-Treasury employees sign an acknowledgement form indicating their review and understanding of the division's EFT Policy.

Executive Summary

The Department of Finance and Administrative Services-Treasury Division (DFAS-Treasury) is responsible for the City's ACH and wire transfer payments, which include:

- Debt Service Payments,
- IRS Payroll Taxes,
- Retirement Payments,
- Fuel Hedge Payments,
- State Gross Receipts Tax Payments,
- Investment Security Payments,
- Vendor Payments,
- Golf Concessionaire Payments, and
- Cost of Issuance Payments (Bond Issues).

Overall, DFAS-Treasury ensures that ACH and wire transfer payments are approved, authorized, supported, accurate, timely and valid.

DFAS-Treasury's could improve internal controls by revising its policies and procedures to specifically address procedures for initiating, approving, and executing ACH and wire transfer payments. Additionally, DFAS-Treasury should establish a business continuity plan that documents how to continue daily operations in the event of unforeseen service disruptions.

DFAS-Treasury concurred with the audit findings and agreed to implement the recommendations.



City of Albuquerque

Office of Internal Audit

June 28, 2017

Accountability in Government Oversight Committee
P.O. Box 1293
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Audit: ACH and Wire Transfer Payments
 Department of Finance & Administrative Services – Treasury Division
 Audit No. 16-104

FINAL

INTRODUCTION

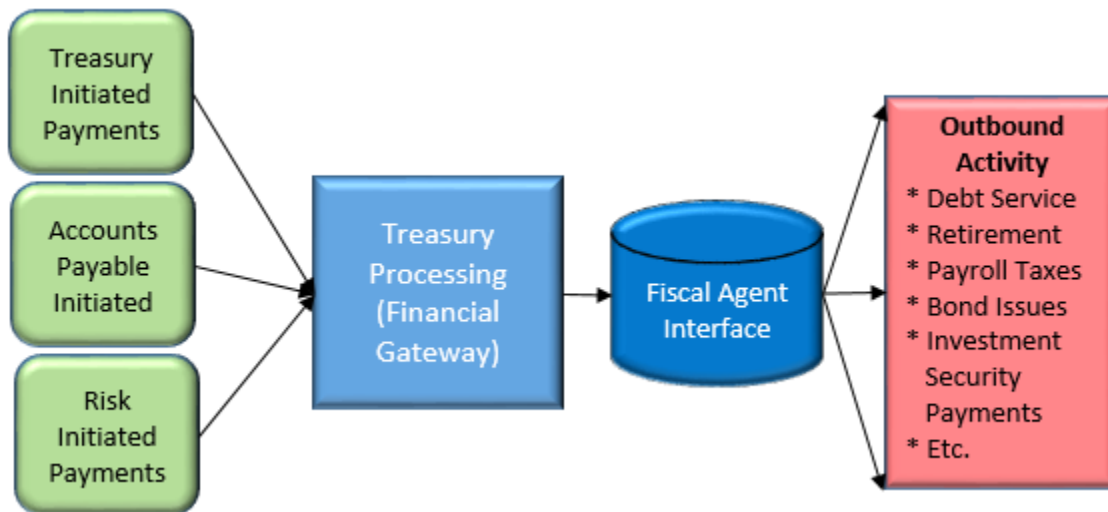
The Office of Internal Audit (OIA) completed a performance audit of the Department of Finance & Administrative Services – Treasury Division’s (DFAS-Treasury) Automated Clearing House (ACH) and wire transfer payment processes. The audit was included in OIA’s fiscal year (FY) 2016 audit plan. Information pertaining to the audit objectives, scope and methodology can be found in **Appendix A**.

DFAS-Treasury is responsible for the City’s ACH and wire transfer payments, which include:

- Debt Service Payments,
- IRS Payroll Taxes,
- PERA Payments,
- Fuel Hedge Payments,
- State Gross Receipts Tax Payments,
- Investment Security Payments,
- Vendor Payments,
- Golf Concessionaire Payments, and
- Cost of Issuance Payments (Bond Issues).

All ACH and wire transfer payments may originate from various departments but are processed through DFAS-Treasury, as shown in the flowchart below.

DFAS-Treasury Electronic Fund Transfer Process



The audit involved data analysis using OIA’s subscription service – Audit Control Language (ACL) program. ACH and wire transfer payment data was analyzed to confirm that duplicate payments did not occur, City employees are not also contracted City vendors, and involved the analysis of:

- Vendor vs. Employee address information;
 - Join data tables
 - Identify duplicates
 - Analyze results to ensure that employees are not contracted vendors
 - No active employees are contracted vendors
- Vendor address information;
 - Identify duplicate addresses
 - Analyze results to ensure whether multiple vendors with common address exist
 - Vendors with common addresses were identified and reported to DFAS-Accounting
- Wire transfer payments made to employees;
 - Join data tables
 - Identify common bank information
 - Analyze results to determine if questionable wire transfer payments to employees exist
 - No questionable payments were identified

- Vendor vs. Employee bank information;
 - Join data tables
 - Analyze results to ensure that no employee and vendor bank information is identical
 - No common bank information was identified

Overall, DFAS-Treasury ensures that ACH and wire transfer payments are approved, authorized, supported, accurate, timely, and valid. No significant issues were identified with the management of the ACH and wire transfer processes.

FINDINGS

The following findings address areas that OIA believes could be improved by the implementation of the related recommendations.

1. DFAS-TREASURY’S ELECTRONIC PAYMENT POLICIES AND PROCEDURES SHOULD BE REVISED TO INCLUDE GREATER PROCESSING DETAIL AND CONTINGENCY ACTIVITIES DURING SERVICE DISRUPTIONS.

DFAS-Treasury’s *Electronic Funds Transfer Policy and Procedures* (EFT Policy) does not provide specific and detailed procedures for initiating, approving and executing ACH and wire transfer payments. For example, the EFT Policy states that if an EFT payee is not established in PeopleSoft, DFAS-Treasury will set up an appropriate template for internal approval, but does not clearly identify how or who is responsible for the action.

Additionally, Treasury does not have a documented process for ACH and wire transfer payment continuity should there be a disruption in service. As governments may face many types of unscheduled disruptions to business operations, it is important to minimize disruptions in the essential municipal services provided.

The Government Finance Officers Association (GFOA) represents public finance officials throughout the United States and Canada, and its mission is “to promote excellence in state and local government financial management.” GFOA provides best practice guidance for the government finance profession.

GFOA recommends that:

Governments develop, test, and maintain a plan to continue their basic business operations during and immediately after disruptive events. A government should plan to have such functions as human resources, purchasing, treasury, legal, and risk management accessible during an emergency situation. A back-up system for payment to staff and to make investments and payments on debt obligations, contact information (office, mobile, and home) for the professional bond and investment team (trustees, remarketing agents, advisors, brokers, banks, etc.) should be available to all members of the finance team and a copy should be kept off site with these individuals as well.

Additionally, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed the *Internal Control-Integrated Framework (COSO Framework)*, to assist organizations in “designing, implementing, and conducting internal control and assessing its effectiveness.” The *COSO Framework* has gained global acceptance and is considered best practices for internal controls. OIA uses the *COSO Framework* as a standard by which to measure the design and effectiveness of internal controls.

COSO acknowledges that policies reflect management’s statement of what should be done to effect control. According to the COSO Framework, Principles 12 and 14, Management should communicate internally through specified objectives and policies and procedures that support personnel in performing their responsibilities. Management should establish “control activities that are built into business processes and employees’ day-to-day activities through policies establishing what is expected and relevant procedures specifying actions.”

DFAS-Treasury acknowledges the importance of detailed and explicit policies and procedures. By expanding its EFT Policy to include specific process details, and establishing contingency procedures, DFAS-Treasury will ensure its internal processes are fully documented and understood, and essential operations will continue in the event of unforeseen disruptions.

RECOMMENDATIONS

DFAS – Treasury should:

- Revise its internal EFT Policy to address specific processes and daily operations.
- Work with the Department of Technology and Innovation to establish a business continuity plan that documents how to continue daily operations in the event of unforeseen service disruptions.

RESPONSE FROM DFAS-TREASURY

“DFAS-Treasury concurs with the recommendations. Treasury will (1) revise the current EFT policy to address daily operations and (2) work with Department of Technology and Innovation to establish a business continuity plan.”

ESTIMATED COMPLETION DATES

“Revisions to the EFT policy to address daily operations and establishment of a business continuity plan are being drafted and shall be completed by August 1, 2017.”

2. DFAS SHOULD ENSURE THAT EMPLOYEES APPROVING WIRE PAYMENT TRANSACTIONS COMPLETE AND APPROVE AUTHORIZATION DOCUMENTS.

The DFAS-Treasury approver of the Electronic Funds Transfer form did not complete and sign the two department-initiated wire transfer forms as required by the EFT Policy. During the audit period, a City department requested two wire transfers. The approver from DFAS-Treasury did not complete the identifying information or sign the form.

DFAS-Treasury’s EFT Policy states, “Upon completion of an EFT request, the approver will sign and date the form.”

According to the City Treasurer, it was an oversight that the identifying information and final approval signature were not completed.

Non-compliance with internal policies and procedures increases the risk of unauthorized wire transfer payment transactions.

RECOMMENDATIONS

DFAS - Treasury should:

- Ensure that all employees are aware of, and comply with, the division’s EFT Policy.
- Annually require that DFAS-Treasury employees sign an acknowledgement form indicating their review and understanding of the division’s EFT Policy.

RESPONSE FROM DFAS-TREASURY

“DFAS-Treasury concurs with the recommendations. Treasury will (1) ensure all employees are aware of and will comply with the division’s EFT policy and (2) require that employees sign an acknowledgement form indicating their review and understanding of the EFT policy.”

ESTIMATED COMPLETION DATES

“By July 1, 2017, DFAS – Treasury will ensure that all employees, who administer the EFT process, will be provided a revised EFT Policy and will require all employees to acknowledge receipt and understanding of the EFT policy.”

CONCLUSION

DFAS-Treasury Division processes ensure that ACH and wire transfer payments are authorized, supported, accurate, timely and valid.

Policy and procedure revisions that specifically reflect daily operations will enable DFAS-Treasury to improve its internal processes and will provide clear instructions for the staff. As DFAS-Treasury’s role is vital to City business, should any type of unforeseen disruption occur, it is important to have contingency procedures to minimize the impact of such events.

We greatly appreciate the assistance, involvement, and cooperation of the DFAS-Treasury Division’s management and staff. Their attentiveness and willingness to be forthright is a testament to the Division’s mission, and illustrates their commitment to the citizens of Albuquerque.

Contract Auditor

REVIEWED & APPROVED:

APPROVED FOR PUBLICATION:

Lawrence L. Davis, Acting City Auditor
Office of Internal Audit

Chairperson, Accountability in
Government Oversight Committee

APPENDIX A

OBJECTIVES

The audit objectives were to determine:

1. Are ACH & wire transfer payments approved/authorized and supported?
2. Are ACH & wire transfer payments accurate and timely?
3. Are ACH & wire transfer payments valid?

SCOPE

Our audit did not include an examination of all functions and activities related to ACH and wire transfer payments. Our scope was limited to the objectives above.

This report and its conclusions are based on information taken from a sample of transactions and do not represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork on May 24, 2017 and does not reflect events or accounting entries after that date.

We conducted this performance audit 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 audit objectives.

METHODOLOGY

Methodologies used to accomplish the audit objectives include but are not limited to the following:

- Obtained and reviewed internal policies and procedures regarding ACH and wire transfer payments;
- Determined if policies are up-to-date;
- Interviewed key Treasury employees regarding ACH and wire transfer payments and flow charted the process;
- Interviewed key Accounts Payable employees regarding ACH and wire transfer payments and flow charted the process;
- Interviewed key Risk Management employees regarding ACH and wire transfer

- payments and flow charted the process;
- Obtained and reviewed the departmental list of users pertaining to ACH and wire transfer payments entry and approval to ensure adequate separation of duties;
 - Determined whether Treasury had procedures in place for handling emergency ACH or wire transfer payments;
 - Confirmed that Treasury maintains a permanent record of transmitted ACH and wire transfers;
 - Verified that reconciliations are completed;
 - Obtained and analyzed ACH and wire transfer payment data using the Audit Command Language (ACL) program;
 - Obtained and analyzed electronic vendor payment data using ACL program; and
 - Other methodologies as needed.