



Council Auditor's Office

Follow-Up on City Wire Transfers Audit

November 7, 2023

Report #800B

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 second 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 February 22, 2023, inquiring as to the status of the original audit report recommendations outstanding as of the first follow-up report. We reviewed the recommendations from our audit report and previous follow-up report, the auditees’ responses to the recommendations, and the auditees’ responses to our follow-up letter. We then performed limited testing to verify auditee’s 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 Prior to This Follow-up	Remaining Issues Prior to This Follow-up	Issues Cleared During This Follow-up	Remaining Issues
Internal Control Weaknesses	4	2	2	1	1
Findings	5	4	1	0	1
Total	9	6	3	1	2

The following is a brief summary of the remaining issues with responses from the Finance and Administration Department.

Internal Control Weakness 1 *Wire Requests Not Initiated in Accounting System* & Finding 2 *Wire Transaction Procedures Inconsistent with Municipal Code*

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. Section 110.107 of the Municipal Code states, "Moneys shall be paid by the Treasury Division only on vouchers which have been approved by the Accounting Division." 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 first follow-up and this follow-up, we found that this issue had not been resolved. During this follow-up, we found that 16 out of 19 invoices tested were not approved by the Accounting Division in the accounting system prior to sending the respective wire transfers. In other words, the transaction was recorded and approved by the Accounting Division in the accounting system after the wire was already sent to the payee. While we understand the time constraints that occurred with some of the wires, most, if not all, could have been addressed with proper planning and/or expedited approval from the Accounting Division, which may include a sign-off outside the system if there is a time sensitive situation that the system cannot accommodate.

We continue to recommend that wire transfers be initiated by the requesting department via the accounting system whenever possible, and payments should not be processed until approved by the Accounting Division as required by the Municipal Code.

Treasury Division Response to the Follow-Up of Internal Control Weakness 1 and Finding 2

Agree

Disagree

Partially Agree

Treasury is in the process of reviewing and updating an SOP to address these findings. The updated procedures will include requiring the requesting agency to work with Accounts Payable to initiate an invoice through the accounting system which will then be paid by Treasury via a wire transfer.

In the event a wire is requested in such a time frame where the final Accounts Payable approval has not been obtained, but all documentation for the wire has been sent to Accounts Payable, an email approval from the CFO, Comptroller, or Assistant Comptroller will be accepted as approval after their review of all supporting documentation.

We would like to thank the Finance and Administration Department for their cooperation in conducting this follow-up review.

Respectfully submitted,

Kim Taylor

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Council Auditor