

Wire Transfers

Internal Audit Report

September, 27, 2023



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Table of Contents

	Page Number
EXECUTIVE SUMMARY	1
DEFINITIONS	2
BACKGROUND	3
OBJECTIVE, SCOPE, AND METHODOLOGY	4
RESULTS AND RECOMMENDATIONS	5

EXECUTIVE SUMMARY

Why We Did This Audit

Our objectives were to review and evaluate the efficiency of wire transfers, the effectiveness of internal controls, compliance with Florida Statutes, and to ensure the accuracy, timeliness, and segregation of duties of wire transfers. Also, to identify any opportunities or areas of improvement.

This audit was included in the 2022-2023 Annual Audit Plan.

Observations and Conclusion

Audit Results at a Glance			
	Risk / Impact Rating		
Results and Observations	Significant	Moderate	Minor
<u>Source</u> IA - Internal Audit or M - Management	IA-2		
<u>Observation Category</u> D - Deficiency or O - Opportunity	D-2		

Based on our audit results, we conclude that overall wire transfer processes and practices are operating efficiently and effectively with the appropriate internal controls in place. We commend the department for their prompt service and organization. We have two recommendations for improvement.

Results and Recommendations

Results:

The district does not have current and complete written contract/ agreements with five of the nine financial institutions it uses.

A non-administrative employee had security access to edit, change, and delete templates for one financial institution, but the district will be discontinuing business with that institution in the next few weeks.

Recommendations:

Periodically review all documents from financial institutions to ensure that all requirements are met. Ensure that each organization provides agreements consistent with Rule 6A-1.0012.

Periodically review user access and security to confirm all users have the lowest level of access necessary to perform their job responsibilities.

This report has been discussed with management and they have prepared their response which follows.

DEFINITIONS:

Risk / Impact Ratings

Minor	Low risk with a financial impact of less than one percent and/or an isolated occurrence limited to local processes (low impact and low likelihood)
Moderate	Slight to moderate risk with a financial impact between one and five percent and/or a noticeable issue that may extend beyond local processes (low impact and high likelihood or high impact and low likelihood)
Significant	High risk with a financial impact greater than five percent and/or a significant issue that occurs in multiple processes and/ or noncompliance with Florida Statutes or School Board Policies (high impact and high likelihood)

We categorize risk impact as:

- *Minor*
- *Moderate*
- *Significant*

Observations Categories

Opportunity	A process that falls short of best practices or does not result in optimal productivity or efficient use of resources
Deficiency	A shortcoming in controls or processes that reduces the likelihood of achieving goals related to operations, reporting and compliance

We categorize our observations as opportunities or deficiencies.

Criteria for Observations Sourced to Management

- Internal audit was informed of the issue prior to starting detailed testing
- Management identified, evaluated, and communicated the issue to appropriate levels of the district
- Management has begun corrective action with clear, actionable plans and targeted completion dates

BACKGROUND:

Treasury Services is a part of the Office of Management and Budget and they focus on making sound cash and investment decisions for the district. Personnel includes one Director and one Senior Budget Specialist. Treasury Services' key business processes include wire transfers, journal entries, online banking, investment purchases, armored car services, credit card services, cash and debt management, and supporting school bookkeepers with online payment systems and armored car services.

A wire transfer is a method of transferring money electronically between two financial institutions (on behalf of a sender and a receiver). The sender creates a request through their bank, and the bank sends a message with payment instructions to the bank of the recipient through a secure messaging system (e.g. Fedwire, SWIFT).

The recipient's bank receives all of the information provided by the initiating bank and deposits the necessary funds into the appropriate account. Once the funds have been deposited at the bank, the two banking institutions work together to settle the payment.

OBJECTIVES, SCOPE AND METHODOLOGY:

Objectives

The objectives of this audit were to examine and assess the effectiveness of wire transfers and activities to:

- Determine whether wire transfers are being administered effectively and in accordance with School Board Policies, department procedures, and Florida Statutes.
- Determine whether internal controls over wire transfers are sufficient and adequately supported.
- Determine whether the practices of segregation of duties and dual control of wire transfers are implemented for all transactions.
- Ensure the accuracy, timeliness, and completeness of all wire transfers.
- Distinguish any open doors or areas of opportunity for improvement.

Treasury Services has two staff members. A Director and Senior Budget Specialist.

We examined and assessed the effectiveness of wire transfers.

Scope

The scope included all wire transfer transactions from all financial institutions that were processed during the period from July 1, 2022 through March 31, 2023.

Methodology

Our methodology consisted of:

- Interviewing management, performing walkthroughs, and observing processes
- Reviewing all financial institution agreements with the district
- Analyzing all financial institution bank statements and wire transfers reports
- Confirming all authorized users, and their access level, for each financial account
- Generating reports in SAP to reconcile all wire transfers to the bank statements
- Examining the total amount of wire transfers both incoming and outgoing during the audit period
- Testing 45 of 489 wire transfers made during the audit period
- Reviewing stored files to support wire transfer transactions
- Evaluating internal controls, such as dual control and security
- Reviewing SOC-2 (Service Organization Controls) reports from the main banking accounts
- Analyzing relevant supporting documentation

We conducted this audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to provide reasonable assurance regarding the audit objective. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. No

Our scope included all wire transfers during the period from July 1, 2022 through March 31, 2023.

We analyzed and tested 45 wire transfer transactions.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing.

material deficiencies were noted in this audit. We also offer suggestions to improve controls or operational efficiency and effectiveness.

RESULTS & RECOMMENDATIONS:

Overall Conclusion: Our overall conclusion is Treasury Services is functioning efficiently and effectively and with appropriate internal controls and a low error rate. Our detailed findings and recommendations follow.

1) The district does not have current and complete written agreements with five of the nine financial institutions used for banking and investing. *Significant Risk and Deficiency #2000*

Best Practice:

According to Florida Rule 6A-1.0012 Minimum Security Measures for Direct Deposit by Electronic Transfer of Funds or Other Medium:

- (a) Each financial institution shall be specifically authorized by the school board and such financial institution shall specifically agree, in writing, to accept monetary transactions through electronic or other medium.
- (b) Each authorizing agreement shall contain the official title of the bank accounts subject to the agreement, each type of transaction approved, such as deposits, disbursements or transfers, each person authorized to initiate transactions, the manual signature of each such authorized person, the manual signature of the school board chairman and the manual signature of the school superintendent.

Audit Result:

During the audit we requested written agreements with all financial institutions. Although authorization certificates, and certificates of resolutions were provided to support the relationship with the financial institutions, not all of the requirements of Rule 6A-1.0012 were met in five of the nine agreements provided to us.

No material deficiencies were noted in this audit.

Florida Rule 6A-1.0012 requires written agreements containing specific information with each financial institution used by the district.

The district does not have current and complete written agreements with five of the nine financial institutions used for banking and investing.

Recommendation:

Periodically review all documents from financial institutions to ensure that all requirements are met. Ensure each organization provides an agreement consistent with Rule 6A-1.0012.

2) A non-administrative employee had security access to create, edit, and delete templates in one of the main bank accounts. *Significant Risk and Deficiency#01998*

Best Practice:

Only master account administrators should be able to edit templates. User access should be limited to the least amount of access necessary to perform job duties.

Audit Result:

During the audit, we found a classified employee who had full administrative rights to edit templates. Templates store sensitive account information, such as account numbers, and are used to process wire transfers. Management immediately acted to reduce this employees' access, but this caused a disruption in the employee's ability to perform their job, so the access was restored. However, the district plans to discontinue doing business with that financial institution in the next few weeks, so the situation will soon be resolved.

Recommendation:

When a user is created for online banking access, their access should be reviewed and tested to ensure they have only the access needed to perform their job duties.

We wish to extend our sincere thanks to the Treasury Services Department for their cooperation and assistance with this audit.

Access should be restricted to the lowest level necessary to perform job responsibilities.

We found a classified employee had full administrative rights to edit wire transfer templates.

This situation will soon be resolved.



Department / School Name	Office of Management and Budget
Administrator / Department Head	Judith Padres
Cabinet Official / Executive Leader	Doreen Concolino

Audit Result / Recommendation	Management Response Acknowledgement/ Agreement of Condition	Responsible Person (Name & Title) And Target Completion Date	Management's Action Plan
<p><i>The district does not have current and complete written contract/ agreements with five of the nine financial institutions it uses.</i></p> <p><i>Periodically review all documents from financial institutions to ensure that all requirements are met. Ensure that each organization provides agreements consistent with Rule 6A-1.0012</i></p>	<p>All documents pertaining to each account opening, as received and provided by each financial institution the district uses, were provided as part of this audit.</p>	<p>Steven Compton, Director Treasury Services (03/2024)</p>	<p>Contact will be initiated with each of the financial institutions noted in this audit to request the documents required as part of Rule 6A-1.0012.</p>
<p><i>A non-administrative employee had security access to edit, change, and delete templates for one financial institution, but the district will be discontinuing business with that institution in the next few weeks.</i></p> <p><i>Periodically review user access and security to confirm all users have the lowest level of access necessary to perform their job responsibilities.</i></p>	<p>This financial institution does not provide an option to select a different level of user access. This employee needed access to the account to complete her job duties and tasks. When access from the account was taken away, the employee could not complete her</p>	<p>Steven Compton, Director Treasury Services (11/2023)</p>	<p>To mitigate this risk, the department has a system of dual controls that require two people to approve a transaction before processing any given request. Furthermore, the account with this financial institution will be closing in the coming weeks so no corrective action is deemed necessary.</p>



	responsibilities as it relates to this account.		
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