



Audit of Wire Transfer Controls

Office of the County Auditor

Audit Report

Robert Melton, CPA, CIA, CFE, CIG
County Auditor

Audit Conducted by:
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Report No. 21-16
July 28, 2021



OFFICE OF THE COUNTY AUDITOR

115 S. Andrews Avenue, Room 520 • Fort Lauderdale, Florida 33301 • 954-357-7590 • FAX 954-357-7592

July 28, 2021

Honorable Mayor and Board of County Commissioners:

Pursuant to our Annual Audit Plan, we conducted an audit of the Finance and Administrative Services Department's (FASD) Treasury Section and Revenue, Taxes, and Treasury Division's wire transfer controls. Our audit objective was to determine the adequacy of internal controls over the wire transfer process.

Except as noted within this report, we conclude that internal controls over the wire transfer process are adequate. Opportunities for Improvement are included in this report.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and 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.

We appreciate the cooperation and assistance provided by the FASD Treasury Section and Revenue, Taxes, and Treasury Division throughout our review process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Andrew Meyers, County Attorney
Monica Cepero, Deputy County Administrator
George Tablack, Chief Financial Officer
Kevin Kelleher, Assistant County Administrator
Tom Kennedy, Director, Records, Taxes, and Treasury Division

Broward County Board of County Commissioners

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INTRODUCTION

Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted an audit of the Finance and Administrative Services Department's (FASD) Treasury Section and Records, Taxes, and Treasury Division (RTT) wire transfer controls. Our audit objectives were to determine whether:

- 1) Internal controls over wire transfers are adequate.
- 2) Any Opportunities for Improvement exist.

To determine whether internal controls over wire transfers are adequate, we performed walkthroughs of wire transfer processes, reviewed user access to the Wells Fargo CEO application, and tested selected wire transfers.

We conducted this 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.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit included wire transfer functions performed within the Wells Fargo CEO application and did not include testing of PeopleSoft. The audit did not include testing of other disbursement methods such as check, automated clearing house (ACH), or web payments. The audit period was from January 1, 2020, through December 31, 2020. However, transfers, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

Except as noted within this report, we conclude that internal controls over the wire transfer process are adequate. Opportunities for Improvement are included in this report.

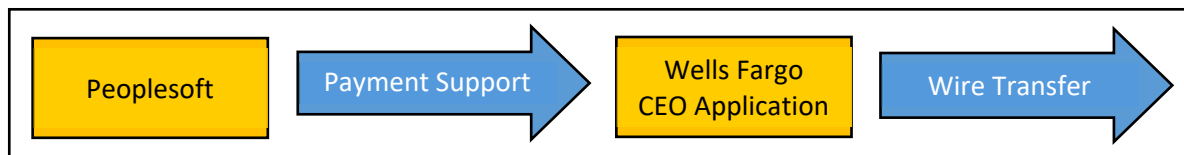
Background

Broward County has a wide variety of services and operating needs. Ongoing operations require the regular payment of monies to vendors for various goods and services. Methods of payment include check, automated clearing house (ACH), wire transfers, and web payments. Most County payments are disbursed by check. ACH and wire transfer payments are electronic transfers of monies between banks except an ACH is processed in batches by the bank through a clearing house and subject to additional safeguards to ensure that the payment is routed to the intended recipient. Web payments consist of payments to the State and Federal government and are processed through the respective web portals for each agency. Wire transfers follow a separate process than the other payment types.

Wire Transfer Process

Wire transfer payments are made to vendors and suppliers based on transactions recorded within the County’s financial accounting system, PeopleSoft. When an agency determines a payment is appropriate, they initiate a wire transfer request and supporting payment voucher which are then routed through a series of approvals within PeopleSoft, including a secondary approver at the using agency, Accounts Payable, the Accounting Director, and the RTT Director. Once a wire transfer request is appropriately routed and approved through Peoplesoft, the wire transfer is processed within the County’s on-line banking platform, the Wells Fargo CEO application. **Figure 1** shows a depiction of the wire transfer process.

Figure 1 – Wire Transfer Process



Source: Prepared by the Office of the County Auditor

The Wells Fargo CEO application is a stand-alone application that is separate from PeopleSoft. Approved wire transfer requests generated from PeopleSoft serve as supporting documentation and instructions to Treasury and RTT staff who process the wire transfers within the Wells Fargo CEO application. One of three assigned Treasury staff (Initiators) review instructions from the approved PeopleSoft documentation and prepare the wire transfer within the Wells Fargo CEO Application. One of five assigned RTT staff (Releasers) compares the prepared wire transfer to

the PeopleSoft documentation, releases the wire transfer for payment from the Wells Fargo CEO application, and updates the information into PeopleSoft to reflect the payment.

Wire transfers can be created from templates or “free form”. Templates are pre-set in the system for standard, recurring wire transfers to known entities and contain the banking information saved within the template. Non-recurring wire transfers are entered on the “Free Form” “from scratch” and new entities and banking information is entered on these forms.

Wire transfers between County bank accounts (Book Transfers) and wire transfers to County-owned trustee accounts, such as recurring debt service sinking fund payments, are not routed through PeopleSoft. For these payments, FASD Treasury and RTT staff utilize shared drives to prepare and assign approval documentation for book transfers.

Wire Transfers performed through the Wells Fargo CEO application for the period January 1 to December 31, 2020, totaled 597 transfers for approximately \$3.5 billion.

This audit did not include check payments, ACH payments, and web payments which are each separate payment types under different processes.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transfer. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

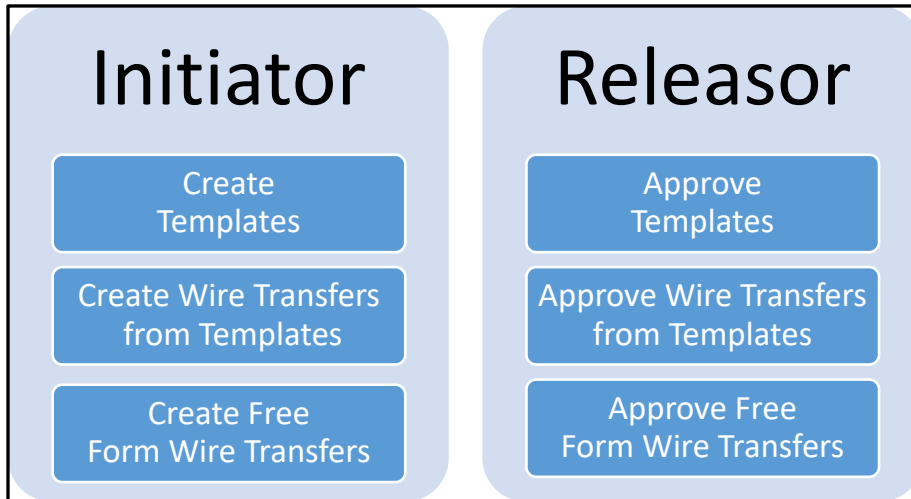
1. Further Separation of Functions Should be Considered to Ensure Protection Against Unauthorized Wire Transfers.

We noted the following instances where increased separation of responsibilities could help protect the County's interest and improve controls over wire transfer activities:

- A. Additional separation of functions among Initiators and Releasers is needed. Any one of the three Initiators could collude with any one of the five Releasers to perform an unauthorized disbursement of funds.

Wire transfers can be created from templates or "free form." Templates are pre-set in the system for standard, recurring wire transfers to known entities and contain the banking information saved within the template. Wire transfers can be created from these templates and the recipient routing information cannot be changed from the template whereas "free form" wire transfers can be made "from scratch" with all new information. As shown in **Figure 2**, the three Initiators can create templates, create wire transfers from templates, and create "free form" wire transfers while the five Releasers have the ability to approve any one of these functions.

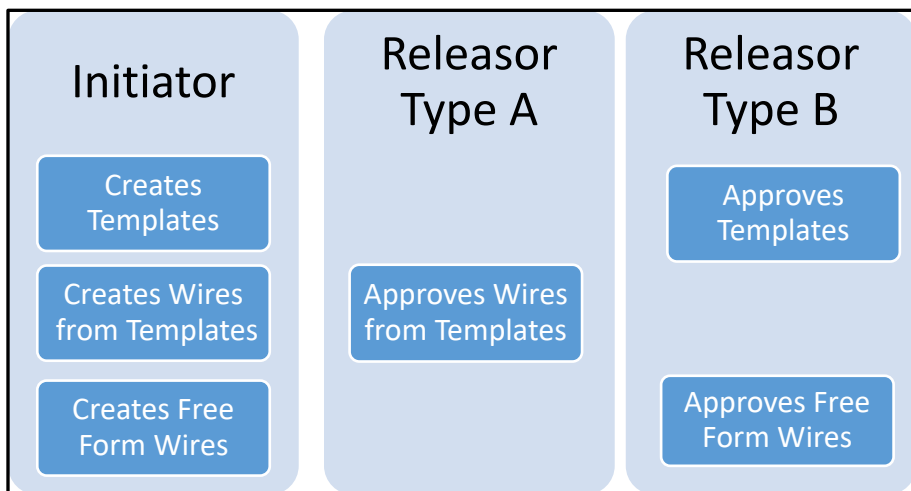
Figure 2 - Current Assigned Abilities to Initiators and Releasors



Source: Prepared by the Office of the County Auditor

One option to provide for additional separation of functions is to remove the ability to approve templates and free form wire transfers from the current Releasors and assign those roles to additional Releasors in another unit and/or with supervisory or management functions. Because new templates and free form wires have an increased risk of potential misappropriation and are an infrequent event involving new wire transfer instructions not previously executed, it is appropriate that these receive a higher level of attention. This option is illustrated in **Figure 3**.

Figure 3 - Option for Additional Separation of Functions



Source: Prepared by the Office of the County Auditor

This option can be further strengthened by requiring two Releasers to approve templates and free form wires. We discussed these controls with Wells Fargo representatives who confirmed these additional controls could be put in place.

- B. Additional separation of functions and responsibilities among RTT staff performing CEO system administrator roles is needed. There are four Wells Fargo CEO application system administrators within RTT. Any one of the four system administrators can set-up or change user access within the system and any one of the remaining three system administrators can approve the set-up or change. The approver role is not performed by a supervisory position, and the four positions work closely together within the same functional area of the County. This structure creates additional risk of collusion and the ability to create unauthorized users with authority to disburse monies.

According to staff, this structure is in place for operational continuity and timely creation and modification to user access.

“Segregation of duties,” is a preventive control which requires more than one individual to be responsible for completing a process. This control makes it difficult for intentional wrongdoing because it requires collusion of two or more individuals. While the current segregation between roles is a standard appropriate internal control, the ease of collusion between only two individuals coupled with the high impact of an unauthorized disbursement justifies additional safeguards be considered. Approval functions should be performed by an employee at a supervisory or higher organizational level than those preparing the transfer.

Unlike other payment forms such as checks and ACH transfers, wire transfers are subject to fewer external protections (large checks are more likely to be scrutinized by banking institutions and ACH transfers are pre-established within the system) and are disbursed quickly. Wire transfers release the funds nearly immediately. If an unauthorized wire transfer were detected after execution, there is minimal likelihood of recovery. The impact of an erroneous or inappropriate transfer is significant given the potential magnitude of funds involved. Millions of dollars could be disbursed without recovery.

We recommend management:

- A. Pursue additional separation of functions among Initiators and Releasers including consideration of:
 - Re-assigning approval functions for new wire transfer templates and free form wire transfers to employees elsewhere in the organization and/or with supervisory authority.
 - Requiring two Releasers for approval of new wire transfer templates and free form wires.
- B. Re-assign system administrator approval functions to individuals elsewhere in the organization and with supervisory authority.

2. Notifications and Alert Rules Should be Established.

Initiators and Releasers can select what types of notifications and alerts they receive; however, the determination is made at the discretion of the employee. There is no policy specifying what types of notifications and alerts are to be received, or actions to be taken for certain alerts.

The Wells Fargo CEO application provides notifications and alerts of certain transfer activities. For example, the system can send an automated message to users notifying them of an outgoing wire transfer. Users can set their notification and alert preferences. The preferences can be set by dollar threshold, by bank account. For example, a user can choose to be notified of all outgoing wire transfers over \$10,000 from one bank account and all outgoing wire transfers over \$100,000 from another bank account. Preferences can also be set by transfer types such as free form and template wire transfers. The user can also set preferences to be notified by email and/or mobile device. Notifications and alerts of transfer activity are important controls that assist in identifying potential unauthorized or inappropriate transfers. Policies should provide parameters for what types of notifications and alerts that users should maintain.

Without a policy, users may not have the necessary notifications and alerts in place and could miss detecting an unauthorized or inappropriate transfer.

We recommend management establish a policy for what types of notifications and alerts that should be in place as well as follow up activities appropriate for such alerts.

APPENDIX A – MANAGEMENT’S RESPONSE

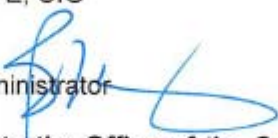


BERTHA W. HENRY, County Administrator
115 S. Andrews Avenue, Room 409 • Fort Lauderdale, Florida 33301 • 954-357-7362 • FAX 954-357-7360

MEMORANDUM

DATE: July 20, 2021

TO: Bob Melton, CPA, CIA, CFE, CIG
County Auditor

FROM: Bertha Henry, County Administrator 

SUBJECT: **Management Response to the Office of the County Auditor's Report on the Audit of Wire Transfer Controls**

The Finance and Administrative Services Department (FASD) and the Records, Taxes and Treasury Division (RTT) have reviewed the Office of the County Auditor's Report on the Audit of Wire Transfer Controls and submits the following as Management's response.

In summary, Management concurs with the Audit report conclusion that the internal controls over the wire transfer processes are adequate. Management partially accepts the Audit Report opportunities for improvement.

The Audit of Wire Transfer Controls by the Office of the County Auditor (Auditor) focused on controls within the Wells Fargo Commercial Electronic Office (CEO) software for sending wire transfers and on the points of contact within RTT and FASD. While Accounts Payable (A/P) does not have a role in the execution of wire transfers through CEO, they do have an important role in updating the Supplier Table with bank account information. The update and inclusion of information is based on the Authorizations for Wire Transfer received by FASD and signed by RTT. A/P ensures the legitimacy and accuracy of payment information by independently contacting the vendor for new and changed banking instructions, updating the Supplier Table, which is then approved by RTT, and verifying that any vendor payment submitted through a PeopleSoft Wire Transfer Request Form is approved to receive wire transfers.

An additional important point to note is that the pending implementation of the ERP Treasury Module, currently expected to be completed in the 2nd Quarter of 2022, will further improve the wire transfer payment process. Once implemented, the Treasury Module will provide for higher levels of security and seamless delivery through even further integration with PeopleSoft and automated transmissions to the bank.

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Bob Melton, County Auditor
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Enclosed below please find detailed responses to each of the Auditor's opportunities for improvement and recommendations.

Opportunity for Improvement 1: Further Separation of Functions Should be Considered to Ensure Protection Against Unauthorized Wire Transfers.

Recommendation A: *"Pursue additional separation of functions among Initiators and Releasers including consideration of:*

- *Re-assigning approval functions for new wire transfer templates and free form wire transfers to employees elsewhere in the organization and/or with supervisory authority.*
- *Requiring two Releasers for approval of new wire transfer templates and free form wires."*

Response A: Management **partially agrees** with this recommendation. Management believes that expanding this very sensitive role to more employees would only increase any opportunity for inappropriate actions. Currently, four of the five individuals in the Approval Group are higher level employees (i.e. – Supervisors or above). Management has created a new policy that outlines the initiation and approval process for wires through CEO and the requirement of dual approvals by a second approval group, consisting of the Director and Assistant Director of RTT, for the approval of free form and wire templates.

Recommendation B: *"Re-assign system administrator approval functions to individuals elsewhere in the organization and with supervisory authority."*

Response B: Management **agrees** to re-assign the CEO system administrator approval functions to two RTT Senior Manager positions. The RTT Senior Managers are in a supervisory position within RTT and have no direct involvement with the RTT IT staff who perform the primary CEO system administration functions. The re-assignment of the CEO system administrator approval functions will be completed as expeditiously as possible. It is expected this will be completed by September 30, 2021.

Opportunity for Improvement 2: Notifications and Alert Rules Should be Established.

Recommendation: *"We recommend management establish a policy for what types of notifications and alerts that should be in place as well as follow up activities appropriate for such alerts."*

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Response: Management **agrees** with this recommendation. Wells Fargo CEO allows for each individual user, with access to the wire module, to add automated user notifications. The new policy that Management has created, as referenced in Response 1A above, requires all users with access to the CEO Wire Module to add specified automated notifications when wires require approval, when wires are successful, and when wire templates require approval. This policy is effective immediately.

Thank you for the opportunity to respond and provide Management's comments to the Audit. If there are any addition, deletions/omissions, or other changes or modifications to Management's response, please provide us the opportunity to review prior to issuance. Should you have any questions, please do not hesitate to contact me.

c: Mayor and Broward County Board of County Commissioners
Monica Cepero, Deputy County Administrator
Kevin Kelleher, Assistant County Administrator
George Tablack, Chief Financial Officer
Stephen Farmer, Finance Manager, Finance & Administrative Services Dept
Tom Kennedy, Director, Records, Taxes and Treasury Division
William O'Reilly, Director, Accounting Division
Andrew Meyers, County Attorney