

**AUDIT SERVICES OVERSIGHT COMMITTEE**  
**Monday, March 27, 2023**  
**Virtual Meeting via Zoom 3:30 P.M.**

The Audit Services Oversight Committee met at the above date and time with the following members present: Vice-Chair Matthew Ruterbories, Mayor Elaine O’Neal, Resident Member Emily Yeatts, and Council Member Jillian Johnson.

Also present: Wanda S. Page, City Manager; Bertha T. Johnson, Deputy City Manager of Operations; Tim Flora, Director, Finance Department; Sheila Faucette, Assistant Director, Finance Department; Mindy Taylor, Treasury Manager, Finance Department; Dr. Germaine F. Brewington, Director, Audit Services Department; the Audit Services Department Staff; and other guests.

Vice-Chair Matthew Ruterbories called the meeting to order at 3:30 p.m.

Vice-Chair Ruterbories welcomed everyone to the March 2023 meeting.

**SUBJECT: APPROVAL OF MINUTES – February 27, 2023**

**Motion** was made and it was properly seconded to approve the minutes of the February 27, 2023, Audit Services Oversight Committee meeting.

The motion passed unanimously.

**SUBJECT: ADJUSTMENTS TO THE AGENDA**

There were no adjustments to the agenda.

**SUBJECT: EXCUSED ABSENCE FOR CHAIRMAN NICK LONG**

**Motion** was made, and it was properly seconded to excuse the absence of Chairman Long.

The motion passed unanimously.

**SUBJECT: WIRE TRANSFER PROCESS PERFORMANCE AUDIT**

Dr. Germaine Brewington, Director of the Audit Services Department, gave a presentation on the Wire Transfer Process. She began by stating the audit was performed to ensure controls are in place to mitigate the impact of an erroneous or inappropriate transfer of significant funds. Funds are released nearly immediately from the bank account when payments are made through wire transfers. If an unauthorized wire transfer was detected after execution, then there is minimal likelihood of recovery. The impact of an erroneous or inappropriate transfer is significant given the potential magnitude of funds involved.

Wire transfer payments are electronic transfers of monies between banks. The City uses wire transfers as well as check and automated clearing house (ACH) methods of payments for goods and services. The City's Finance Department staff, specifically the Treasury Division, are responsible for ensuring payments are made to vendors on a timely basis. Wire transfers are an important tool that allows monies to be moved quickly and securely. At the City, wire transfers are used to make debt service payments, payroll payments, purchase card (P-card) transaction payments, and occasionally, reoccurring or non-routine invoice payments. They are also used to make transfers between the City's bank accounts.

Dr. Brewington detailed the wire transfer process which starts when the department submits the wire transfer form or email that includes approvals from the department management and the finance officer. Then, Treasury Division staff process, review, and prepare the wire transfer according to the specifications of the documentation in the Truist Online Treasury Manager Application. Finally, the Finance Department staff review and release the wire transfer.

The Truist Online Treasury Manager Application has a built-in control to ensure that the staff that prepared the wire transfer request cannot also approve the wire transfer. Wire transfers can be created from existing templates or by creating a new template. Standard recurring wire transfers have pre-set templates, while non-recurring wire transfers require new templates to be created.

For FY 2022, 195 wire transfers were completed, equaling approximately \$212 million. For FY 2023 (through January 2023), 125 transfers were completed, equaling approximately \$309 million.

Dr. Brewington discussed the objective of the audit— to determine the adequacy of internal controls over the wire transfer process. The scope of the audit included examining current practices related to the wire transfer process. Audit Services Department staff performed analyses on data for the period of FY 2022 to FY 2023 (as of January 2023). The audit did not examine any other payment types such as check payments, ACH payments, etc.

Controls do exist over the wire transfer process. The Truist Online Treasury Manager application has built-in controls to ensure that wire transfers are approved and initiated by separate Treasury Division staff. Dual authentication is also used to ensure that only authorized employees can access the system. Notifications are also enabled in the application to ensure Treasury Division staff are aware of activity occurring in the Truist Online Treasury Manager application.

However, Dr. Brewington summarized findings regarding the need for improvement. First, the current standard operating procedures (SOPs) do not document the process of reviewing and approving wire transfers. Second, segregation of duties can be enhanced.

These findings led to 2 recommendations.

### **Recommendation 1 (Management Concurred)**

The Finance Department Staff should enhance their standard operating procedures (SOPs) over the wire transfer process. The SOPs should outline the approval and review process for wire

transfers. In addition, Finance Department management should determine if the Vendor Self-Service platform should be used to communicate with vendors, and they should ensure the procedure is incorporated in the SOP with exceptions addressed.

**Value added:** Risk Reduction; Efficiency

### **Recommendation 2 (Management Concurred)**

The Finance Department staff should consider enhancing segregation of duties by requiring the Treasury Manager or someone in management approve the modification and creation of initial templates. Approval can happen either in the Truist application or outside of the system. Finance Department management should inquire if the Truist application can be set up to require approvals for the new templates or modification to an existing template within the application. If not, the review of modifications and new templates should be performed by senior level staff and documented.

**Value added:** Risk Reduction

### **Questions/Comments:**

Questions by ASOC members:

- Vice-Chair Ruterbories asked of the total count of individual wires that were made during the audit period, is there an idea of the breakout percentage wise between templated wires and freeform wires?
  - Treasury Manager Mindy Taylor answered that almost the entirety of the City's wire transfers are created from templates because they are for routine, predictable payments, particularly debt service and payroll. It is the exception rather than the rule that a wire payment would be initiated outside of the template.
- Vice-Chair Ruterbories commented that Treasury Manager Taylor's response makes sense and follows his expectation. He added it's clear that controls for a template payment and a freeform payment should be different. He agrees that there should be restrictions on templates or at the very least creation of a template should go through some sort of approval. While the freeform payments are rare, he asked if the department has considered different procedures around freeform payments, such as approval limits or a freeform payment over a certain amount has to go through an additional layer of scrutiny or third approval or call backs to verify banking information, etc.
  - Treasury Manager Taylor reiterated that all wire transfers have to have approval from a finance officer. Any unusual request would need sign-off from the initiating department director as well as a finance officer. When they receive the wire instructions and the banking information from the vendor, they might get the instructions by email but they are calling the number that is in their files to confirm. For example, other jurisdictions have experienced fraud where the vendor's email was hacked and the alleged vendor request for a change to the banking information was processed; but the City's Finance Department would call the number already on file rather than just rely on the email for confirmation of the transfer details and banking information. Even in the one-off cases, it tends to

be with people with whom they already have a relationship. This increased risk due to cyber fraud would be the benefit of going through the Vendor Self-Service System as the recommendation noted.

- Vice-Chair Ruterbories wanted to further understand the economics of the City's banking relationship. Is the bank account assessed a charge for each wire, a charge for each ACH batch, etc.? Is it then offset by some sort of deposit credit that is used to purchase those services, or is it just a flat fee within the City's account? What do the costs for those services look like?
  - Treasury Manager Taylor answered that the main repository is Truist Bank, which has the main operating account. To initiate wire transfers through Truist Bank, it is \$25 per wire. If there is a small dollar amount that is not something that usually comes through a wire request, it is cheaper to use ACH which they try to do as much as possible as a best practice. All banking fees are paid on a monthly basis. Those fees are credited against the interest earnings in the operating account, so they try to maintain a balance that offsets those banking fees. Truist sends an account analysis statement that outlines all the different types of fees the City pays for banking services.
  - Vice-Chair Ruterbories responded that Treasury Manager Taylor had answered his follow-up question regarding minimizing wire transfer fees and thanked her for her answer.
  
- Dr. Brewington thanked Treasury Manager Taylor and her staff in particular for being forthcoming with information and providing it on a timely basis. Audit work can be disruptive to a department, so she expressed appreciation to the Finance Department for their collaboration.

**SUBJECT: DRAFT PROPOSAL FOR FY 2024 ANNUAL AUDIT PLAN**

Dr. Brewington explained the process of creating the draft proposal for the Annual Audit Plan. Over 55 items were on the list that were analyzed through the risk model. There were actually more ideas than the 55; however, several people submitted similar audit area suggestions such as effectiveness of recruitment and hiring practices. There were also a couple of submissions on recycling and composting City-wide for residential customers and City employees, especially City employees with 24-hour operations (e.g. DPD, Fire, Emergency Communications). There were also several suggestions to look at federal funds received by the City and the controls around compliance to the requirements for those funds. Similar ideas were combined.

Each Audit Services staff member ranked all the topics. The scores were evaluated for outliers, at which point, staff had discussions on those specific suggested topics. Once those discussions were completed, the individual scores were combined to arrive at an average score for each audit area. The average scores were ranked/sorted. The 8 suggested topics that were at the top of the Excel spreadsheet that was sent to the ASOC members were the suggested topics that had the top scores. The draft proposal consists of 10 audits that include the mandatory year-end inventory engagement. Audit Services staff provide that service to the external auditors. This audit saves

the City about \$3,500 on the annual audit fee. There is also an engagement on the FY 2023 plan that Audit Services staff will not begin until June so that audit will carry over into FY 2024.

The draft proposal of the annual audit plan details: 1) where the idea originated (e.g. director, ASOC member, research/Audit staff), 2) the preliminary scope, 3) the risk themes that were approved in 2020 to ensure that Audit Services Department [with its capacity] are focused on the highest areas of potential risks, and 4) the department(s) of primary audit focus. Audit Services staff try not to be in the same departments all the time even though the Plan does not always work out that way. FY 2024 has many City-wide engagements, and thus Audit Services will expand its reach across the City.

Dr. Brewington asked that ASOC members review the list and the other items on the Excel spreadsheet and feel free at the April meeting to ask any questions they might have on the various suggested audit topics, and comment on any audit topic they think should be added to or subtracted from the draft proposal of the Annual Audit Plan. The draft proposal of the Annual Audit Plan will be allotted sufficient time for discussion at the April 2023 ASOC meeting.

### **Questions/Comments:**

Questions by ASOC members:

- Council Member Jillian Johnson asked what the audit on trash recycling and composting would be reviewing.
  - Dr. Brewington explained that the individual who presented this idea wanted Audit Services to look at the effectiveness of recycling at the City and how it is managed to inform future composting programs City-wide-specifically at the fire stations and other City facilities with 24-hour operations. Basically, Audit Services would be looking at the effectiveness of these processes in City departments. It could change.
- Council Member Johnson followed up to clarify that the recycling and composting audit would be focused on City facilities.
  - Dr. Brewington agreed.
- Council Member Johnson asked if this was for any and all City departments.
  - Dr. Brewington said the person who submitted the idea was referring primarily to the operations that were 24-hours. The scope could evolve though to include all City departments.
- Dr. Brewington reiterated that if there is something that the ASOC members think the Audit Services staff should examine, Audit staff are open to those suggestions and welcome any questions or requests for information regarding the rankings. In April, there will be a full discussion regarding the draft proposal.

## **OTHER BUSINESS**

The next meeting will be April 24, 2023.

City Manager Wanda Page highlighted the great work that Audit Services does and their great contribution to the City with the resources that Audit Services does have. She commended Audit Services for making the City's risk even smaller in some of the cycles. She thanked Dr. Brewington and the Audit Services team for their thoughtfulness and their willingness to serve as auditors and often times consultants while also maintaining their independence.

Dr. Brewington commended the Audit Services staff for the hard and high-quality work that they produce. She thanked City Manager Page and ASOC members for their continuing support.

Vice-Chair Ruterbories thanked the staff and the ASOC members for their time.

Vice-Chair adjourned the meeting at 4:08 pm.

Respectfully submitted,

Alisha Neblett Thompson