WIRE TRANSFER AND ACH AUDIT

INTERNAL AUDIT REPORT

October 4, 2018

MCHENRY COUNTY AUDITOR'S OFFICE

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 process.

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EXECUTIVE SUMMARY

Finance and Audit Committee Members,

An internal audit was performed on the wire transfer and ACH functions and processes within the Treasurer's Office during the month of August 2018.

The objectives of the wire transfer and ACH audit were to:

- Ensure outgoing wire transfers and ACH transactions are made according to County policy;
- Ensure outgoing wire transfers and ACH transactions are properly approved and documented along with having the required detail support as part of the documentation package for each transaction;
- Ensure incoming wire transfers are properly posted to the correct County-owned deposit accounts maintained at the financial institution the Treasurer's Office uses;
- Ensure the financial institution's cash management business online banking platform's enrolled users are properly authorized and approved;
- Ensure employees who are enrolled as users on the County's wire transfer and ACH platforms within the financial institution's cash management business online banking platform system were assigned access rights that maintain proper segregation of duties over the input, approval, and release (execution) of these transactions;
- Ensure wire transfer and ACH activity is balanced and accounted for at the close of each day's business while documenting the preparer's and approver's initials along with the date being signed off on; and,
- Ensure executed agreements are on hand covering usage of any wire transfer systems used by the County for executing and receiving wire transfers.

In total, our scope included approximately 208 outgoing wires, 127 incoming wires, and 2,493 ACH transactions processed by the County from August 3, 2017 through August 9, 2018. During this review process, a sample of 30 outgoing wire transfers, 20 incoming wire transfers, and 20 ACH transactions were selected from the above mentioned populations and tested for proper processing using financial institution's cash management business online banking platform.

Results of our review noted the following:

1) Quarterly documented review by Treasurer's Office management is recommended on activities of the financial institution's cash management business online banking platform's user profile of "Administrator" (Detective Control recommended).

2) ACH batches are prepared and released by the same employee; quarterly reviews with supervisory reviews are needed.

3) The "maximum daily release" setting of outgoing wire transactions allowed per day, per employee, is set high and should be reviewed to determine if a decrease in the amount is necessary.

4) Formal, written wire transfer procedures should be created that would include, but not be limited to, periodic review of insurance coverage over funds transfer (wire transfers and ACH), and a review

of security settings required on financial institution's cash management business online banking platform (Preventative Control recommended).

5) The "final" version of the "Wire Detailed Report" was not being used to support outgoing wire transfers; the "final" version is needed to show both employees associated with the segregation of duties between input and approval/release.

6) Periodic and consistent reviews of settings for enrolled users on the financial institution's cash management business online banking platform system should be implemented to ensure all users are current employees who continue to need such access (Preventative Control recommended).

7) Formal written procedures need to be developed over the balancing and reconciliation process of the "Clearing" deposit account used in the facilitation of wire transfers (Preventative Control recommended).

The Auditor's Office will follow up with all recommendations to ensure they are properly implemented as suggested or agreed to by management.

During the course of the audit, Treasury Office personnel were very cooperative with respect to providing documentation when requested and answering questions. It was a pleasure working with them.

Sincerely,

Shannon Teresi, MAS, CPA, CIA, CFE, CRMA
County Auditor

Don Anderson, CPA, CFE
Chief Deputy Internal Auditor