



# CITY OF WILMINGTON

## Treasury Follow-up Internal Audit Review

April 4, 2023

### City Auditor's Office

Terence J. Williams  
City Auditor  
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### Highlights

#### *Why We Did This Audit*

The Internal Audit Department (IA) performed a scheduled follow-up audit for the Treasurer's Office. The audit was conducted in accordance with the FY23 Audit Plan.

#### *Methodology*

The objectives were achieved by reviewing prior year audit, interviewing management, and staff, reviewing existing procedures and guidelines for Treasury Reporting and Investments, Escheat and Wire Transfer processes, and performed testing for each.

#### Audit Review Committee:

Ronald Pinkett, Chair

Angelique Dennis  
Chris Johnson  
James Spadola - Designee  
Tanya Washington

Non-voting Member  
Marchelle Basnight

Internal Audit (IA) conducted a Performance Audit of the City of Wilmington Treasury Department. The audit objectives were to determine whether the Treasurer's office has sufficient controls in place to maintain compliance and adequate administration for the following operational areas Treasury Reporting and Investments, Wire Transfers and Escheat Process. The scope included the operational activity during the period of January 2, 2020, to June 30, 2022.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). These 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. IA believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

#### *Background*

The Treasury Department is an independent office of the City of Wilmington which is responsible for safeguarding the City's financial resources for all the City's governmental, fiduciary, and business activities. The operations overseen by the department are approvals of Various Disbursements, Investments & Financing Activities, Pensions, Escheatment and Debt Management.

Below is a general overview of the operations reviewed during the audit.

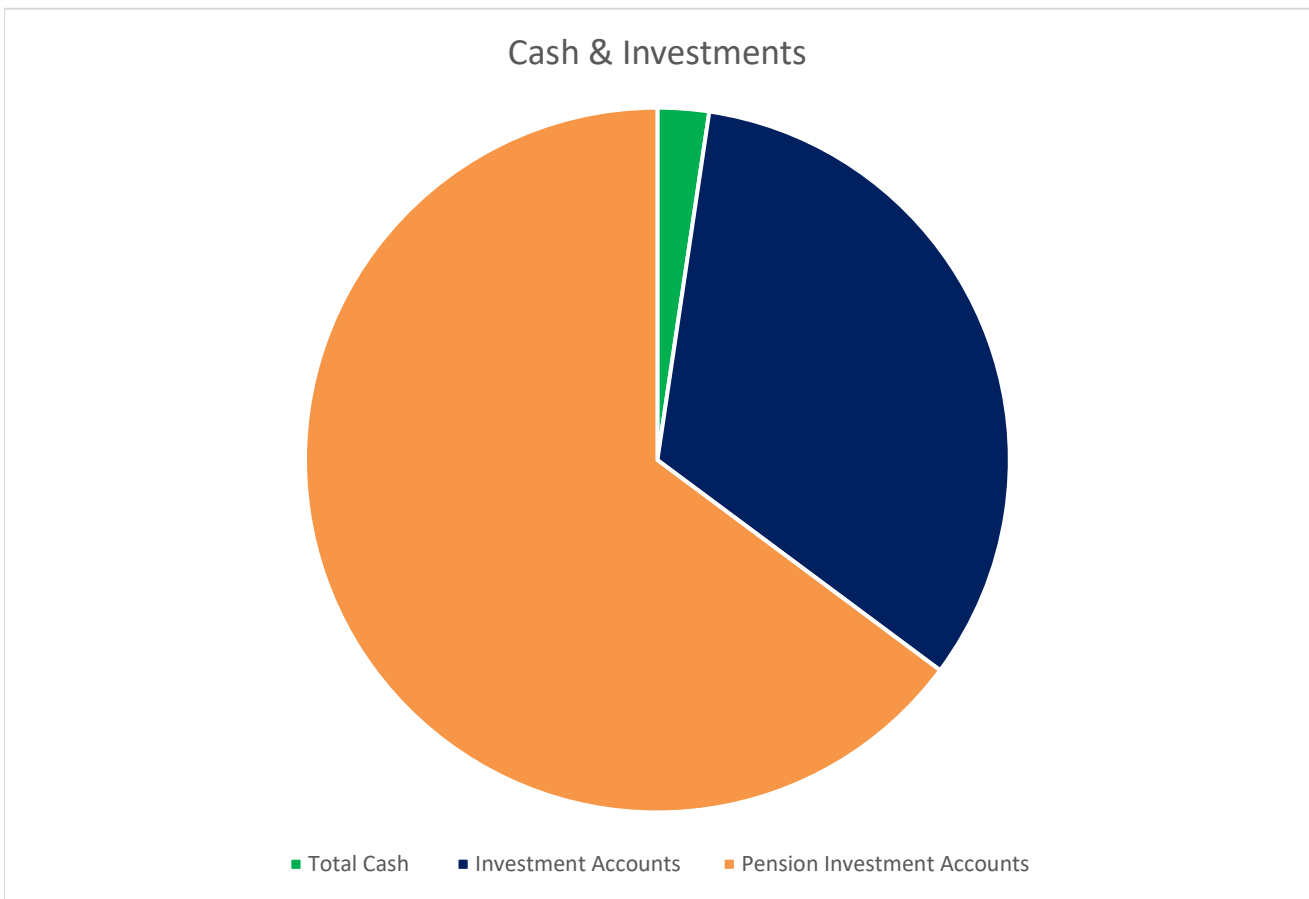
- **Escheatment** – (City of Wilmington and State of Delaware) Checks that remain uncashed after 120 days are placed in a stale date status. The stale date process includes 1. Placing a stop payment on the check; 2. Void the check 3. Record the check amount in the Liability Account for uncashed checks. After five years, all unclaimed funds are placed on deposit with the State of Delaware Escheator.
- **Financial Reporting** – The Treasury Department prepares a Cash on Hand Report and an Investment Report twice per month for City Council. The reports are prepared the first and third Thursday of each month.
- **Investment and Financing Activities** - Excess cash of the City is invested according to the City's Investment Policy which is aimed at minimizing systematic and unique risks. Those Investments are bid to local banking institutions. The City Treasurer's office utilizes an independent registered municipal advisor which provides advice in such matters.

- **Wire Transfers** – The Treasurer’s office processes and approves various wire transfers. The State of Delaware including state pensions are performed monthly. These transfers are “standard” and have preapproved wire templates. Liquidity transfers for capital accounts are performed more regularly and essentially moves the City’s funds from one account to another. Instances of nontraditional one-off transfers include Payroll issues and payments to Vendors as needed.

**Key Statistics**

Dollar value of the cash and investment balances during the audit period for the sample population were as follows:

- The total cash value was approximately \$11M.
- The General Cash Account comprises the majority of the cash balance and is in the \$8M range.
- There are approximately twelve investment accounts and the approximate value of all investments total \$151M.
- Approximately 20 Pension investment accounts had an approximate value of \$298M.



*What we found*

**Key Findings**

Following are key issues that resulted in a process or area to be risk rated a three or four. See **Attachment A** for the details of these and all comments identified during the review.

<b>Risk Ranking:</b>		<b>(See Attachment B for full rating definitions)</b>			
<b>Process / Area</b>	<b>Process / Area Owner</b>	<b>1 Strong Controls</b>	<b>2 Controlled Effectively</b>	<b>3 Controlled - Improvement Required</b>	<b>4 Significant Improvement Required</b>
Compliance	DaWayne Sims				✓
Data Access	DaWayne Sims				✓
Reconciliation	DaWayne Sims				✓
Policy & Procedures	DaWayne Sims			✓	
Reporting	DaWayne Sims			✓	

## *Management Responses to Audit Recommendations*

### Summary of Management Responses

**Recommendation #1:** On a monthly basis, Treasury staff should use Munis to monitor and process stale dated checks over 120 days. Munis has a function to process stale checks which will generate a report as well as debit the correct GL account and credit the liability account on the back end.

**Management response & action plan:** The Treasury Department is now in compliance with Policy Manual 2-221 for Stale Checks. Outstanding checks greater than 120 days are reviewed and investigated monthly. All items captured in the stale dated check review are either re-issued (as coordinated with Finance A/P) or placed on 'Stop' status and moved to the stale date hold account. All processing is saved to the Treasury share drive and available upon request.

**Completion Date:** Completed

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**Recommendation #2:** Management must comply with the CC (Sec 2-677) and provide the necessary access to the Internal Audit Department to fulfill its duties. Design and implement a process to maintain a listing of current authorized signers by bank account. All repositories should be on a shared drive and readily available, so staff can access and provide documents/reports upon request.

**Management response & action plan:** Under my Administration, Treasury has not limited the access, nor scope, of IA review(s); including, but not limited to, Wire and ACH activity via our banking partners. Since 2021 Treasury has worked with our respective banking institutions to establish a systemic approval hierarchy that supports the proper segregation of duties and streamlines operations without compromising controls. A listing of all authorized signers, and approvers, is held at the respective institutions and can only be amended by an authorized Officer on record. Additionally, all Wire and Ach transactions go through a multi-step review process before being approved. This process includes Treasury staff and Finance staff (for ACH transactions specifically) alike. Reports and transactional support documentation are available upon request.

**Completion Date:** Completed

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**Recommendation #3:** Management should ensure the Uncashed Check Liability Account is reconciled monthly to source documentation. Reconciling items should be documented, researched, and resolved on a timely basis.

**Management response & action plan:** The monthly Stale Dated Check process is now in compliance. (See Management Response #1) Account activity is reconciled with each transaction, based on the supporting documentation that accompanies the respective transaction. (ACH / Wires / Investments)

**Completion Date:** Completed

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**Recommendation #4:** The P&P Manual should document all processes. Where responsibilities are shared with other departments or external parties, management should ensure that roles and responsibilities are documented and agreed upon. Written standard operating procedures should align with city code and provide step by step guidance for all Treasury functions.

**Management response & action plan:** Treasury has engaged a vendor to perform a comprehensive review of all current Treasury Operations, inclusive of operational inter-dependencies with Finance and Benefits (HR).

The scope of work under consideration includes an updated Policy Manual that will cover all aspects of Treasury Operations, including Cash Management, Investment Management, Treasury Operations, Banking Contracts, and all System/Application capabilities.

**Completion Date:** December 31, 2023

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**Recommendation #5:** Management should rethink how the “Cash on Hand” balance is currently being reported and determine if reporting the balance that is obtained from a daily online bank report is appropriate as compared to reporting the cash book balance. It is also recommended that the Department adopt GFOA best practices as it pertains to investment diversification and centralizing liquidity management.

**Management response & action plan:** Additionally, Treasury has moved secondary and tertiary cash reserves into CD investments. Treasury staff meets with Treasury leadership on a weekly basis to ensure proper funding levels for BAU operations across all CoW accounts and activities, as well as Cash Investment forecasting. (See Management Response #3)

**Completion Date:** December 31, 2023

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**Audit Team**

Nicole Sammons-Johnson, Senior Auditor  
Tamara Thompson, Audit Manager