CITY OF WILMINGTON
Cash Disbursements
Internal Audit Review

City Auditor's Office

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Highlights

Why We Did This Audit

The Internal Audit Department (IA) performed a scheduled audit of Cash Disbursements. The audit was in accordance with the 2018 Internal Audit Plan.

Methodology

The objectives were met by reviewing prior year audits, discussions with City personnel, detailed testing of records for 45 randomly selected disbursements, a review of checks outstanding over 100 days, and assessing user attributes for the MUNIS system.

Audit Review Committee:

Robert C. Johnson, Chair

Ciro Adams
Marchelle Basnight
Angelique Dennis
Bud Freel
Ronald Pinkett
Tanya Washington

Objective and Scope

Internal Audit (IA) conducted a Performance Audit of the City's Cash Disbursement Process. The audit objectives were to determine if adequate controls exists to provide reasonable assurance that payments are accurate, timely, and practical. Further testing was performed to see if the controls in place were sufficient to protect against duplicate payments to vendors. The scope of the audit includes cash disbursements pertaining to the period July 1, 2016 through June 30, 2017.

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.

Background

The City's Cash Disbursement process involves the coordination between Finance, Treasury, and IT departments. Accounts Payable processes and reviews invoices. The Procurement Office processes requisitions and purchases orders by working closely with various departments. Treasury prints, wires, and distributes payments. IT administers the Munis AP module and replenishes check stock. The approval process is performed in Munis's Workflow, or by submission of authorized forms to Finance. These documents are scanned and uploaded via the Tyler Content Manager (TCM) into Munis. As of October 2017, total cash disbursements for fiscal year 2017 amounts to $121M, and fiscal year 2016 amounts to $129.9M. The $8.8M decrease is a result of major project completions in 2016 and effective competitive bidding. Total invoices in fiscal year 2017 were 30,545, and in fiscal year 2016 were 25,588. The increase in invoices was largely a result of the 6,949 reimbursements granted by the Mayor's Office in fiscal 2017 after suspending the "City's Right-Turn-on-Red Camera Safety Program".

Key Statistics:

	FY17	FY16	Year to Year Change	Year to Year Percent Change
Cash Disbursements:				
Total Dollar$	$121 M	$129.9 M	($8.8M)	-6.78%
Total Transactions	12.884	18,650	5,766	30.92%
Total Invoices:	25,588	30,545	4,957	16.23%
Stale-Dated Checks as of 06/30/17:				
Over $1,000	0	3	N/A	
Under $1,000	0	44	N/A	

What we found

Key Findings

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

Risk Ranking:		(See Attachment B for full rating definitions)			
Process / Area	**Process / Area Owner**	**1 Strong Controls**	**2 Controlled Effectively**	**3 Controlled - Improvement Required**	**4 Significant Improvement Required**
Compliance	John D' Ameilio				✓
Data Security	Lenard Everett			✓	
Payment Processing	Roseanne Prado			✓	
Policies and Procedures	Roseanne Prado Velda Jones-Potter Demond May			✓	

Compliance

1. The Procurement Office and the Economic Development Office have responsibilities to communicate with each other to ensure accurate updating on the status of Disadvantaged Business Enterprises (DBE's) in Munis. This has not been consistently occurring therefore controls need strengthening surrounding updating of the vendor DBE classifications.

Data Security

2. Controls need strengthening with regards to storing and maintaining supporting documentation surrounding wage tax refunds.

Payment Processing

3. It is the City's policy not to pay late fees. IAD noted that controls need strengthening in regards to minimizing late payments being processed by the Accounts Payable Department.

Policies & Procedures

4. Controls pertaining to authorized access to the Munis Account Payable (A/P) Module need strengthening to ensure timely termination when employees are terminated or change positions.
5. Based on inquiries with Management, a policy on stale-dated checks was pending review through fiscal year 2017 to date the status was still unknown. As a result, weak controls still exist in regards to having a policy on stale-dated checks.
6. Currently weak controls exist surrounding the replenishment of check stock because there is no written policy.

Additional Observation

The policy on stale-dated checks has been pending a review by the Legal Department through the fiscal year 2017. At the time of the audit, a change in management leadership was to take place for the Finance Department.

Summary of Management Responses

Recommendation #1: Procurement should establish a policy on the process of updating the status of the Disadvantaged Business Enterprises and communicate it to the Economic Development Office. The Economic Development Office should fill the staff position that would assist with the DBE process. Steps should be taken to streamline the accounts payable role in the DBE payment process.

Agree

OED Management response & action plan: The Office of Economic Development has identified a candidate to fill the position for the Small & Minority Business Development Manager and expects for the person to be in place by mid-August. Additionally, when a new list is updated and published to the city of Wilmington website, this list is also transmitted to Procurement Staff to ensure that Procurement has an up-to-date report of current certified DBEs.

Completion Date: July 19th, 2018.

Finance Management response & action plan: Management responses were not received at the time of audit publication but will be provided by management at a later date.

Completion Date: TBD.

Recommendation #2: The Tax Division must maintain organized files to avoid misplacements. In addition, electronic filing should be implemented for efficient recordkeeping.

Agree

Finance Management response & action plan: Management responses were not received at the time of audit publication but will be provided by management at a later date.

Completion Date: TBD

Recommendation #3: Finance should communicate with the various departments to remind the approvers what their commitment is according to the Accounting Policy and Procedures.

Agree

Finance Management response & action plan: Management responses were not received at the time of audit publication but will be provided by management at a later date.

Completion Date: TBD

Recommendation #4: Management should have an annual review process which will not only address the issue of terminated employees, but also employees that change roles within the Finance Department. Management should immediately delete or block access to employees that leave the Department.

Agree

Treasurer's Office response & action plan: Management responses were not received at the time of audit publication but will be provided by management at a later date.

Completion Date: TBD

Recommendation #5: Treasury should periodically review outstanding check lists and submit to Finance for follow-up. Dollar cut-offs should be established with corresponding action plans. For example, $1K checks or greater should require a contact to the specific vendor. Under $1K may require an email or letter.

Agree

Finance Management response & action plan: The Treasurer's Office provided an action plan to document a procedure for stale dated checks by the end of calendar year 2018. This procedure is complete as of 6/30/2018 documented. Implementation of the procedure began 7/1/2018

Completion Date: June 30, 2018

Recommendation #6: A protocol should be documented for a check replenishment policy or work procedure in the IT Department.

Agree

IT Management response & action plan: Management responses were not received at the time of audit publication but will be provided by management at a later date.

Completion Date: TBD

Audit Team
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