

**From:** [Terence J. Williams](#)  
**To:** [Michael J. Maldonado](#)  
**Cc:** [Tamara Thompson](#)  
**Subject:** FW: Closing meeting for Treasury Audit  
**Date:** Friday, February 26, 2021 9:54:02 AM  
**Attachments:** [Attachment A - Ltr to Council.03.11.2020.pdf](#)  
[Attachment B - Draft Markup \(1\).pdf](#)

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Good morning Mike! Per the e-mails below, please include this e-mail string as well as the attached documents as Velda's response and label them "Attachments C & D".

Thanks,

Terence J. Williams  
City Auditor  
City of Wilmington - Auditing Department  
800 N. French St.  
Wilmington, DE 19801  
Office: (302) 576-2165  
Fax: (302) 573-5644

[tjwilliams@wilmingtonde.gov](mailto:tjwilliams@wilmingtonde.gov)

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**From:** Velda Jones-Potter <vjpotter@wilmingtonde.gov>  
**Sent:** Tuesday, December 15, 2020 3:57 PM  
**To:** Terence J. Williams <tjwilliams@wilmingtonde.gov>  
**Cc:** Kalief T. Cole <kcole@wilmingtonde.gov>; Tamara Thompson <tthompson@wilmingtonde.gov>; Charles M. Freel <cmfreel@wilmingtonde.gov>; Tanya Washington <twashing@wilmingtonde.gov>; Angelique Dennis <angiedennis78@gmail.com>; Ronald Pinkett <ronald.pinkett@comcast.net>  
**Subject:** RE: Closing meeting for Treasury Audit

Terence,

The invite notwithstanding, you failed to send the report in advance to allow reasonable time for review.

Further still, a meaningful, impartial outcome of audit work under current audit leadership is highly unlikely at this time in light of prevailing disregard for professional standards and lack of objectivity (consistent with *inter alia* previously observed matters indicating potential, significant deficiencies in quality control over attestation engagements and therefore, potential nonconformance with Wilmington City Code<sup>1</sup> e.g., i) failure to demonstrate Ethical Principles and Independence<sup>2</sup> as set forth in Chapter 3 of the Yellow Book; ii) failure to demonstrate Competence<sup>3</sup> as set forth in Chapter 4 of the Yellow Book; and iii) failure to comply with the Fieldwork Standards for Performance Audits and Reporting Standards for Performance Audits as set forth in Chapters 8 and 9 of the Yellow Book, respectively) (*see Correspondence to City Council* dated March 11, 2020, included herewith as Attachment "A").

That said, and based on subsequent emails, the only worthwhile response from Treasury is a communication of observations to Wilmington City Council, the Audit Review Committee, and those performing quality control reviews so as to improve the quality of these engagements. The incoming Treasurer would likely want to receive the attached markups (see Markups to Draft *Treasury Department Review* document included herewith as Attachment "B") and assess for himself the value of your recommendations for improving specific controls.

Please record this email together with Attachments A and B as the views of responsible officials.

Kindly,  
Velda Jones-Potter

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<sup>1</sup>See *Wilm. Charter* § 6-300(b); see also *Wilm. C.* § 2-672(a).

<sup>2</sup>The term *Independence* used here has the meaning specified in the glossary of the of the GOVERNMENT AUDITING STANDARDS (Yellow Book, 2018) ("GAGAS") and should not be misconstrued with the term *Objectivity* which is separately defined by GAGAS. According to GAGAS, an auditor maintains independence by applying safeguards necessary to eliminate or reduce threats as outlined in GAGAS § 3.30 such as the *Management Participation* threat (e.g., performing transactions or making decisions in connection with the subject matter of an audit engagement) that could impair independence (see GAGAS §§ 3.27-3.34). This, in contrast to the misguided meaning, as asserted in response to City Council Resolution 19-053 requesting an examination into the Wilmington Housing Partnership Corporation, which suggests the auditor is somehow above the law or requirements set by legislative acts of a governing body. On the contrary, GAGAS acknowledges that "[a]uditors in government sometimes work under conditions that impair independence" because of requirements set by legislative bodies which cannot be declined that create threats which cannot be eliminated or reduced to an acceptable level. In such cases, the remedy is to modify the compliance statement in the audit report, not to refuse to conduct the audit (see GAGAS §§ 3.25, 3.84 & 5.13).

<sup>3</sup>See, e.g., GOVERNMENT AUDITING STANDARDS, § 4.16 ; see also ALGA Peer Review Opinion for the period July 1, 2016 through June 30, 2019.

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**From:** Terence J. Williams <[tjwilliams@wilmingtonde.gov](mailto:tjwilliams@wilmingtonde.gov)>  
**Sent:** Tuesday, December 8, 2020 3:55 PM  
**To:** Velda Jones-Potter <[vjpotter@wilmingtonde.gov](mailto:vjpotter@wilmingtonde.gov)>  
**Cc:** Kalief T. Cole <[ktcole@wilmingtonde.gov](mailto:ktcole@wilmingtonde.gov)>; Kyleneae Stribling <[kstrib@wilmingtonde.gov](mailto:kstrib@wilmingtonde.gov)>; Styna LeCompte <[slecompt@wilmingtonde.gov](mailto:slecompt@wilmingtonde.gov)>; Marilyn Amaro-Valentin <[mamaro@wilmingtonde.gov](mailto:mamaro@wilmingtonde.gov)>; Tamara Thompson <[tthompson@wilmingtonde.gov](mailto:tthompson@wilmingtonde.gov)>  
**Subject:** RE: Closing meeting for Treasury Audit

Velda,

This meeting was scheduled last week but no one from your department accepted the invitation. Although your comments are welcome, typically process owners provide their management action plans a week after the closing conference so they can review the report in more detail. This would have been the approach for your engagement as well, if the closing conference had taken place today. If you provide your management action plans by 3 PM on Monday, December 14th, they'll be

included in the audit report being presented at the ARC meeting is on Wednesday, December 16, 2020. Otherwise, they'll be included in the audit report after the ARC meeting.

Kind regards,

Terence J. Williams  
City Auditor  
City of Wilmington - Auditing Department  
800 N. French St.  
Wilmington, DE 19801  
Office: (302) 576-2165  
Fax: (302) 573-5644

[tjwilliams@wilmingtonde.gov](mailto:tjwilliams@wilmingtonde.gov)

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**From:** Velda Jones-Potter <[vjpotter@wilmingtonde.gov](mailto:vjpotter@wilmingtonde.gov)>  
**Sent:** Tuesday, December 8, 2020 1:11 PM  
**To:** Terence J. Williams <[tjwilliams@wilmingtonde.gov](mailto:tjwilliams@wilmingtonde.gov)>  
**Cc:** Kalief T. Cole <[ktcole@wilmingtonde.gov](mailto:ktcole@wilmingtonde.gov)>; Kylenea Stribling <[kstrib@wilmingtonde.gov](mailto:kstrib@wilmingtonde.gov)>; Styna LeCompte <[slecompt@wilmingtonde.gov](mailto:slecompt@wilmingtonde.gov)>; Marilyn Amaro-Valentin <[mamaro@wilmingtonde.gov](mailto:mamaro@wilmingtonde.gov)>; Tamara Thompson <[tthompson@wilmingtonde.gov](mailto:tthompson@wilmingtonde.gov)>  
**Subject:** RE: Closing meeting for Treasury Audit

Given the scope of this Performance Audit (July 1, 2019 – June 30, 2020) concurs with my leadership, predating my successor, and consistent with government auditing standards, I request a reasonable period of time, at least a week, to review and provide comment (*GAGAS Requirement Sec. 9.50-9.53*) and prior to Report Distribution (*GAGAS Requirement Sec. 9.56-9.59*).

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**From:** Terence J. Williams <[tjwilliams@wilmingtonde.gov](mailto:tjwilliams@wilmingtonde.gov)>  
**Sent:** Tuesday, December 8, 2020 11:19 AM  
**To:** Velda Jones-Potter <[vjpotter@wilmingtonde.gov](mailto:vjpotter@wilmingtonde.gov)>  
**Cc:** Kalief T. Cole <[ktcole@wilmingtonde.gov](mailto:ktcole@wilmingtonde.gov)>; Kylenea Stribling <[kstrib@wilmingtonde.gov](mailto:kstrib@wilmingtonde.gov)>; Styna LeCompte <[slecompt@wilmingtonde.gov](mailto:slecompt@wilmingtonde.gov)>; Marilyn Amaro-Valentin <[mamaro@wilmingtonde.gov](mailto:mamaro@wilmingtonde.gov)>; Tamara Thompson <[tthompson@wilmingtonde.gov](mailto:tthompson@wilmingtonde.gov)>  
**Subject:** RE: Closing meeting for Treasury Audit

Good morning Velda! The Closing Conference is just a meeting to discuss the observations noted during the review, prior to sharing the report with the ARC. If you're team doesn't want to meet to go over the observations, we can work with your successor to mitigate the issues. Have a great day!

Best regards,

Terence J. Williams  
City Auditor  
City of Wilmington - Auditing Department  
800 N. French St.  
Wilmington, DE 19801  
Office: (302) 576-2165  
Fax: (302) 573-5644

[tjwilliams@wilmingtonde.gov](mailto:tjwilliams@wilmingtonde.gov)

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**From:** Velda Jones-Potter <[vjpotter@wilmingtonde.gov](mailto:vjpotter@wilmingtonde.gov)>  
**Sent:** Tuesday, December 8, 2020 10:55 AM  
**To:** Tamara Thompson <[tthompson@wilmingtonde.gov](mailto:tthompson@wilmingtonde.gov)>; Kyleneae Stribling <[ksTRIB@wilmingtonde.gov](mailto:ksTRIB@wilmingtonde.gov)>; Styna LeCompte <[slecompt@wilmingtonde.gov](mailto:slecompt@wilmingtonde.gov)>; Kalief T. Cole <[ktcole@wilmingtonde.gov](mailto:ktcole@wilmingtonde.gov)>; Terence J. Williams <[tjwilliams@wilmingtonde.gov](mailto:tjwilliams@wilmingtonde.gov)>  
**Cc:** Marilyn Amaro-Valentin <[mamaro@wilmingtonde.gov](mailto:mamaro@wilmingtonde.gov)>  
**Subject:** RE: Closing meeting for Treasury Audit

Treasury is in receipt of your draft titled "Treasury Department Review" sent end of day yesterday. It is certainly reasonable that Treasury be given more than effectively three business hours to review before meeting to discuss. We will be in touch after reviewing.

-----Original Appointment-----

**From:** Tamara Thompson <[tthompson@wilmingtonde.gov](mailto:tthompson@wilmingtonde.gov)>  
**Sent:** Monday, December 7, 2020 4:31 PM  
**To:** Kyleneae Stribling; Styna LeCompte; Kalief T. Cole; Velda Jones-Potter; Terence J. Williams  
**Cc:** Marilyn Amaro-Valentin  
**Subject:** Closing meeting for Treasury Audit  
**When:** Tuesday, December 8, 2020 11:00 AM-12:00 PM (UTC-05:00) Eastern Time (US & Canada).  
**Where:** Microsoft Teams Meeting

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## Microsoft Teams meeting

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CITY OF WILMINGTON  
CITY TREASURERS OFFICE

Wilmington, Delaware 19801

ADMINISTRATIVE DIVISION

March 11, 2020

**MEMORANDUM**

**TO:** Members of Wilmington City Council  
**FROM:** Velda Jones-Potter, City Treasurer   
**SUBJECT:** Performance Audit FY'19 – City Treasurer's Office

This cover letter is to outline the rationale supporting the attached request from my Office to the Audit Review Committee to amend the City's *Fiscal Year 2019 Annual (Performance) Audit Plan* (the "Audit Plan") relating to the City Treasurer's Office. Specifically, the request is to postpone audits into *Debt Management* and *Wire Transfers* (the "Audit"); controversies concerning these subject areas are currently before Chancery Court in the lawsuit filed by Mayor Purzycki and City of Wilmington.

Generally Accepted Government Auditing Standards (GAGAS) require consideration of legal proceedings in connection with performance audits. My Office strongly feels the Audit Plan should be amended based on the following:

**I. Effect of Legal Proceedings on the Audit** (*see* GAGAS for more information)

*a. Ethical Principles; Independence; and Competence*

*-Ethical Principles.* Government auditing standards require auditors to perform audit duties with *integrity* and *objectivity*. In light of the events of February 24, 2020 concerning the City Auditor's admitted use of video surveillance on my Office and, given the Auditor is an agent of the Plaintiff in the ongoing litigation, it is questionable whether integrity and objectivity are being, or will be, consistently applied.

*-Independence.* Government auditing standards require auditors to be independent of the subject matter during the period under audit. The Administration has asserted that the City Auditor is directly involved in approving and ordering disbursements (including wire transfers) which creates a management threat to independence under auditing standards.

*-Competence.* Government auditing standards require auditors to participate in continuing education and to possess the experience necessary to conduct audits. Given the missteps and statements the auditors have made in this matter, it is questionable whether the

auditors have sufficient experience performing in environments where legal proceedings, significant to the audit, are in process.

*b. Objective and Scope*

*-Objective.* The objective of the Audit is to determine whether internal controls are in place to ensure “compliance” and adequate administration. Chancery Court is currently in the process of determining issues of compliance associated with the subject areas.

*-Scope.* There is an ongoing controversy which is currently being adjudicated whether the Treasurer or the Mayor has process ownership over *Debt Management* and *Wire Transfers*.

## **II. Effect of Audit on the Legal Proceedings**

*a. Discovery and Attorney-Client Privilege*

-Discovery is currently underway in the legal proceedings. While there is a current controversy whether discovery in this case is necessary, the court has not yet ruled either way and therefore, audit fieldwork into the subject areas have direct consequence on the legal process. Further, certain documents are protected by attorney-client privilege and it comes at great expense to the City to review each document to determine its protection under this privilege.

*b. The Public Interest.*

-Both audit reports and judicial decisions have an effect on the public’s interest. The City Auditor should strive to perform his duties consistently with the laws and the court’s interpretation of the same. An audit into the subject areas at this time would be premature of the court’s ruling.

It is important to note that performance audits are not investigations or examinations – on the contrary, they are to ‘assist management’ – in this case, the City Treasurer – and the governing entity – in this case, City Council with determining opportunities for staff-members of the organization to improve administrative controls and efficiencies. I believe you have observed the results of the focus that my office has on continuous improvement – increasing efficiency and reducing cost. Indeed, I welcome input from a ‘truly’ objective audit. The Audit Department will be conducting performance audits throughout the year; as yet, it is unclear the compelling reason audits into the areas currently in litigation must be conducted with such urgency.

It also warrants registering that the Auditor’s aggressive behavior in this matter – an audit of administrative controls to ‘assist’ (emphasis added) myself as management – is completely disproportional to his *laissez-faire* attitude in reaction to Council’s direction that he initiate a forensic examination into detailed transactions of the Wilmington Housing Partnership Corporation – an issue with real cause of action.

I will keep you and the public apprised of developments on the subject.

VJP

# City of Wilmington Delaware

**Velda Jones-Potter**  
City Treasurer

Louis L. Redding City/County Building  
800 French Street  
Wilmington, Delaware 19801-3537  
(302) 576-2480  
treasurer@wilmingtonde.gov



March 2, 2020

Robert Johnson, Chair  
Audit Review Committee  
Louis L. Redding City/County Bldg.  
800 N. French Street  
Wilmington, Delaware 19801

**Re: Performance Audit of Treasurer's Office**

Dear Mr. Johnson:

The Audit Review Committee (the "Audit Committee") is empowered to resolve any disagreements between management and internal or external auditors regarding financial or operational control and reporting. I write regarding a dispute over a performance audit of the Treasurer's Office that the City Auditor has proposed to initiate. Specifically, the Auditor advised in a draft engagement letter that he and his staff planned to focus the performance audit on five areas: (1) wire transfers, (2) debt management, (3) pensions, (4) treasury reporting, and (5) escheat process. For the reasons stated herein, the Audit Committee should take steps to limit the performance audit and allow for the setting of certain safeguards in light of ongoing litigation.

As you know, in August 2019, the Mayor and the City filed suit against me in my official capacity as Treasurer in the Court of Chancery of the State of Delaware. That litigation is ongoing. Among other things, the litigation involves the Treasurer's authority to make payments on the City's debt and other disbursements using City funds. I have filed counterclaims against the Mayor which specifically identify issues concerning actions taken by the Auditor, as well a member of the Audit Committee, Ms. Tanya Washington.<sup>1</sup> Discovery has commenced in this matter.

In light of the ongoing litigation between the Mayor, the City, and me as Treasurer, I do not believe that it is appropriate for the Auditor to conduct a review of at least two of the five areas, namely (1) wire transfers and (2) debt management. In light of the fact that these two areas have a direct tie to the ongoing Chancery litigation, any audit conducted in these two areas could be readily called into question as being unfair and improper. Additionally, given the ongoing litigation, any documents to be collected and reviewed in this audit would need to be reviewed by my legal team to safeguard the attorney-client privilege and other privileges and protections that I and my office have. This comes at great expense to the City.

On February 24, 2020, at approximately 1 p.m., I, along with members of my office met, at the Treasurer's Office, with the City Auditor, the Deputy Auditor and an outside CPA. Because paragraph 8.27 of generally accepted government auditing standards (Yellow Book, 2018) provides that auditors should evaluate the effect of legal proceedings on performance audits (*see attached*), I asked the Auditor if he had evaluated whether the pending litigation had an impact on the

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<sup>1</sup> Because Ms. Washington is directly identified in the pleadings in the litigation, the Treasurer maintains she should recuse herself from any consideration of the relief requested herein.



performance audit, and he advised that he had not, commenting that “this is the first [he] was hearing about it”. It’s important to note that the Auditor references the pending litigation in a prior audit report and, it is his responsibility to be competent around, and comply with, government auditing standards. I proposed that the Auditor table the two areas that are subjects of the litigation and focus on the other three performance audit areas. He refused. While he offered to review a letter that I gave to him outlining certain safeguards given the Chancery litigation, the Auditor took the letter but stated that he would initiate “fieldwork” immediately. The outside auditor that accompanied the Auditor stated that he “didn’t care about the litigation.” However, subsequent activity demonstrates the Auditor second-guesses his prior position and makes clear that any fieldwork prior to evaluating the effect of the pending litigation was premature.

By letter dated February 28, 2020, the Auditor informed me that he considered whether the two areas that are subjects of the litigation—1) wire transfers and (2) debt management—would have an impact on the audit. Although the Auditor proposed certain limited safeguards with respect to protecting attorney-client communications, he stated the pending litigation does not warrant a limitation on the scope of the current audit.

This is entirely unacceptable and needs to be addressed by the Audit Committee, or barring that, the Court of Chancery. While I have every interest in having a performance audit conducted in good faith to assist in identifying any opportunities for improvement in my office’s workflow, the Auditor’s insistence that the performance audit include topics that are the subject of the ongoing litigation is a serious concern.

While the Auditor has claimed to be independent, the City Auditor is an agent of the City, and the City is a plaintiff in the lawsuit against me. Unfortunately, because of the litigation that was filed, the Auditor cannot be considered independent at this point in time, and his apparent lack of willingness to limit the scope of his audit directly interferes with the Chancery litigation. Further, given that the objective of the performance audit is to determine whether controls are in place to ensure “compliance” and, the court is currently clarifying issues of compliance surrounding the subject areas, the City would gain the greatest value of an audit on these areas once the court makes its determination.

For these reasons, I request that the Audit Committee exercise its authority to resolve the dispute between the Treasurer’s Office and the City Auditor regarding the scope and conduct of the performance audit. The audits on the three (3) uncontested areas are currently underway. I propose that the audit of wire transfers and debt management be suspended until conclusion of the litigation. I and my staff are available at the Audit Review Committee’s convenience.

Sincerely,



Velda Jones-Potter  
City Treasurer

Cc: Members of City Council

**8.24** Examples of communications regarding the objectives, scope, methodology, and timing that could impair the auditors' ability to obtain sufficient, appropriate evidence include situations in which the auditors plan to perform unannounced cash counts or perform procedures related to indications of fraud.

**8.25** Communicating with those charged with governance or management may include communicating deficiencies in internal control; fraud; or noncompliance with provisions of laws, regulations, contracts, and grant agreements. Early communication of these matters may be important because of their relative significance and the urgency for corrective follow-up action. Further, early communication is important to allow management to take prompt corrective action to prevent further occurrences when a control deficiency results in noncompliance with provisions of laws, regulations, contracts, and grant agreements or fraud. When a deficiency is communicated early, the reporting requirements and application guidance in paragraphs 9.29 through 9.44 still apply.

**8.26** Because the governance structures of government entities and organizations can vary widely, it may not always be clearly evident who is charged with key governance functions. The process for identifying those charged with governance includes evaluating the organizational structure for directing and controlling operations to achieve the audited entity's objectives and how the audited entity delegates authority and establishes accountability for management.

## Investigations or Legal Proceedings

### Requirement: Investigations or Legal Proceedings

**8.27** Auditors should inquire of management of the audited entity whether any investigations or legal proceedings significant to the audit objectives have been initiated or are in process with respect to the period under audit, and should evaluate the effect of initiated or in-process investigations or legal proceedings on the current audit.

### Application Guidance: Investigations or Legal Proceedings

**8.28** Laws, regulations, or policies may require auditors to report indications of the following to law enforcement or investigatory authorities before performing additional audit procedures: certain types of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements.

# City of Wilmington Treasury Department Review Attachment A

## Detailed Finding and Related Risk

## Recommendation

## Management Response

1. A scope limitation existed when we were denied access to wire transfers and the debt management processes which prevented us from being able to audit two primary treasury functions.

It is recommended that a financial audit be conducted by an external CPA firm to ensure the processes are working as intended and financial data is being properly recorded.

**Process Owner:** Velda Jones-Potter, City Treasurer

**Completion Date:**

**Action Plan:**

This section should be left for management to assign ownership of the Action Plan to the responsible positions.

In addition, our consultant was not allowed to begin fieldwork on the originally assigned date. There were delayed responses or nonresponses to audit requests prior to COVID-19 and there was also an inability to produce investment statements for 32 investment accounts. Refer to Exhibit H for more details.

Auditors have access to all investment account statements.

Auditors should be clear on the types of GAGAS Engagements e.g., Performance Audits vs. Financial Audits.

There is an increased risk of inaccurate financial reporting or potentially fraudulent activity going undetected.

False. Auditors should include specific document requests made subsequent to safeguards implemented in connection with GOVERNMENT AUDITING STANDARDS § 8.27. Further, to avoid noncompliance, auditors should conduct work in accordance with GAGAS without prompt by the audited entity.

Auditors should refrain from sensationalisms e.g., unsupported statements like “increased risk”. Further, in accordance with GAGAS § 8.30, auditors should have asked management and/or reviewed previous engagements that directly relate to the audit objectives e.g., the IRS Examination (2020) of the City’s outstanding general obligation bonds and the Schedule of Findings included in the 2019 Financial Audit Report by CPA firm Belfint, Lyons, Shuman, P.A. While the report lists several material weaknesses and significant deficiencies throughout the City’s administrative and financial departments, none is noted on Treasury’s controls related to wire transfers or any aspect of the City’s financing activities.

Lack of Data Access

To improve ease-of-use, auditors should structure the report to better align with the engagement letter. For example, organize each finding by subject matter specified in the scope statement (see indicative outline below):

- Wire Transfers
  - Finding 1a: Scope Limitation
- Debt Management
  - Finding 2a: Scope Limitation
- Pensions
- Treasury Reporting
- Escheat Process
  - Finding 5a: Control weakness re: Stale dated checks
  - Finding 5b: Control weakness re: Reconciliation
  - Finding 5c: Compliance

# City of Wilmington Treasury Department Review Attachment A

	Detailed Finding and Related Risk	Recommendation	Management Response
<b>Asset Management</b>	<p>2. Control weaknesses exist related to the City of Wilmington's internal escheat process.</p> <p>a.) Four (4) bank reconciliations were inspected to ensure that stale checks over 120 days were recorded in the Uncashed Check Liability Account and removed as outstanding checks from the checking account. Testing revealed that the following stale checks were not moved to the Uncashed Check Liability Account in a timely manner:</p> <ul style="list-style-type: none"> <li>July 2018 General Account had 34 stale checks valued at \$34K.</li> <li>January 2019 General Account had 96 stale checks valued at \$111K.</li> <li>April 2019 General Account had 63 stale checks valued at \$48K.</li> <li>August 2018 Payroll Account had 111 stale checks valued at \$18K.</li> </ul> <p>b.) Ten stale dated checks that have been outstanding for over 120 days and were selected for detailed testing to ensure compliance with the City of Wilmington Escheat Policy. Unfortunately, the Treasury Department did not comply with the document request in a timely manner, resulting in a scope limitation therefore the report was issued without being able to examine the requested sample selection.</p>	<p>Compliance with the City of Wilmington Escheat Policy should be a monthly recurring task.</p> <p>Management should ensure that recording stale checks in the Uncashed Check Liability Account is occurring on a monthly basis.</p> <p>In addition, Management should ensure that stale dated checks greater than 120 days have a stop payment placed on the check, void the check in the Munis accounting software, and record the Uncashed Check Liability in the General Ledger (G/L).</p>	<p><b>Process Owner:</b> Treasurer</p> <p><b>Completion Date:</b></p> <p><b>Action Plan:</b></p> <p><b>Additional Information:</b></p>

The Accounting Division of the City's Finance Department is responsible for managing the financial accounting cycle, including journalizing, posting and disclosing transactions and events. Treasury is responsible for voiding/placing stop payment on stale checks and communicating financing and investing activities to the Finance Department. Treasury does not, and should not, have access to post entries to the General Ledger (G/L). Auditors should become more familiar with Treasury's Stale Date and Escheat Policy & Procedure Statement. The status of outstanding payments to employees and vendors are decided by HR and Finance, respectively.

A major purpose of Performance Audits is to aid management in improving operating processes and staff supervision. As such, it would be helpful if auditors would specify the application or general control deficiency and advise whether there is a significant deficiency or material weakness in the design, implementation or operation of the control procedure.

Also, auditors should clarify the criteria source the "City of Wilmington's internal escheat process".

**City of Wilmington  
Treasury Department Review  
Attachment A**

	<b>Detailed Finding and Related Risk</b>	<b>Recommendation</b>	<b>Management Response</b>
<b>Asset Management</b>	<p>(Con't)</p> <p>Although this is a low risk category, the cash book balance is understated by the amount of the stale checks. The total amount of the stale checks is immaterial as compared to the balance of the related cash accounts.</p>		

See notes above

# City of Wilmington Treasury Department Review Attachment A

	Detailed Finding and Related Risk	Recommendation	Management Response
<b>Reconciliation</b>	<p>3. Control weakness exists related to reconciliations within the City of Wilmington’s Escheat Process.</p> <p>Uncashed Check Liability should have a reconciliation supporting the balance in <b>the account</b>. In separate interviews with both with a Treasury Department representative and a Finance Department representative, neither was aware of a reconciliation or listing that served as a reconciliation supporting the balance in this liability account.</p> <p><b>There could be a loss of control over the balance of the Uncashed Check Liability Account in the absence of a monthly reconciliation.</b></p>	<p>Management should ensure the <b>Uncashed Check Liability Account is reconciled monthly</b>.</p> <p>If it is determined the account was not reconciled, Management should immediately assign an employee the responsibility of reconciling the <b>Uncashed Check Liability Account</b>.</p>	<p><b>Process Owner:</b> Velda Jones-Potter, City Treasurer; Brett Taylor, Director of Finance</p> <p><b>Completion Date:</b></p> <p><b>Action Plan:</b></p> <p><b>Additional Information:</b></p>
See notes above			

# City of Wilmington Treasury Department Review Attachment A

## Detailed Finding and Related Risk

## Recommendation

## Management Response

<b>Compliance</b>	<p>4. Noncompliance exists surrounding adherence to the State of Delaware Escheat Program.</p> <p>In February 2020, interviews with the Treasury staff they indicated that they were in the process of becoming compliant with the State of Delaware Escheat Program. For instance, ten stale checks that have been outstanding for over five years were selected to test compliance with the State of Delaware Escheat Program. IA was not able to verify whether evidence of payee notification, and generation of a replacement check to the payee or sending funds to the state occurred, due to , the Treasury Department failing to respond to our February 26, 2020 audit request related to the State of Delaware Escheat Program.</p> <p>There is an increased risk the stale dated checks will need to be turned over to the State of DE, if there is continued noncompliance with DE Code Title 12, Chapter 11, Escheats.</p>	<p>Management in the Treasury Department should improve monitoring of the Escheat Process, in order to ensure compliance with the State of Delaware Escheatment Program exists.W</p>	<p><b>Process Owner:</b> Velda Jones-Potter, City Treasurer</p> <p><b>Completion Date:</b></p> <p><b>Action Plan:</b></p> <p><b>Additional Information:</b></p>
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Auditors should clarify. Compliance with DE Code Title 12, Chapter 11 requires that property belonging to one party, held in custody by another, be turned over to the State after a period of time. As such, once the Finance and HR Departments determine whether outstanding payments listed are still in fact owed, “turning over to the State of DE” would be consistent with the State requirement.

This statement implies that “turning over” stale checks is punitive when in fact, if contact is not made with the payee after a period of time, any property still owed must be “turned over” in the ordinary course.

# City of Wilmington Treasury Department Review Attachment A

## Detailed Finding and Related Risk

## Recommendation

## Management Response

Reporting	<p>5. Control improvements are needed in Financial Reporting relating to the Cash on Hand Report.</p> <p>The “Cash on Hand Report” is prepared using the M&amp;T Online Bank Daily Cash Position Report. The “bank” balance is overstated by outstanding checks and understated by deposits in transit. Three General Cash Account Bank Reconciliations were examined and the “bank” balance routinely exceeds the “book” balance by \$1MM to \$2MM.</p> <p>Financial reporting traditionally reports a book balance (i.e. cash reported on a balance sheet). The purpose of this finding is to initiate a discussion regarding the use of reporting a cash “bank” balance rather than a “book” balance. One must consider the end user of the report and how they utilize this information. It is a rare situation whereby reporting a bank balance is acceptable.</p> <p>There is increased risk, if the end user is making financial decisions based on the reported balance that is significantly over</p>	<p>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.</p>	<p><b>Process Owner:</b> Kalief Coles, Deputy City Treasurer</p> <p><b>Completion Date:</b></p> <p><b>Action Plan:</b></p>
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Financial reporting traditionally distinguishes between the “book” balance, “bank” balance and “correct” balance. The book balance excludes EFTs and bank charges not yet recorded in the accounting system and should not be used for the purpose stated. The bank balance is adjusted for outstanding checks and deposits in transit to arrive at the correct balance.



# City of Wilmington Treasury Department Review Attachment A

## Detailed Finding and Related Risk

## Recommendation

## Management Response

<b>Reporting</b>	<p>6. Weak controls exist in Financial Reporting surrounding investments.</p> <p>Bi-monthly investment report have balances of approximately 32 accounts valued at over \$400MM. The Treasury Department could only produce a statement for one of those account balances (Mass Mutual Deferred Compensation Account). The Cash on Hand Report is supported by an external M&amp;T Bank online cash report and it would be expected that Investment balances are also supported by external source documentation. However, the investment statements could not easily be produced with paper copies or with electronic copies by the Treasurer's Office.</p> <p>There is an increased risk of investment balances being incorrect or nonexistent.</p>	<p>All financial reports (including the investment report) should be supported by workpapers and statements that can validate the amounts reported. The external statements should be able to easily be reproduced either with paper copies or electronic PDF copies filed on the server.</p>	<p><b>Process Owner:</b> Kalief Cole, Deputy City Treasurer</p> <p><b>Completion Date:</b></p> <p><b>Action Plan:</b></p>
See notes above			

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# City of Wilmington

## Treasury Department Review

### Attachment A

	Detailed Finding and Related Risk	Recommendation	Management Response
<b>Record Retention</b>	<p>7. Control weaknesses exists related to record keeping and salary data documentation used in pension calculations.</p> <p>When validating the five highest years of compensation used in the pension calculation, the Munis reports did not reconcile to the salary data used in the calculations, although the dollar variances were immaterial. For some pensioners that were not in Munis, only handwritten notes validated salary data.</p> <p>An incorrect salary amount could be used in the pension calculation.</p>	<p>The pension calculation sheet should always include a payroll system report validating the salaries used in the calculation. Also, this sheet will enable the second reviewer/approver to double check the salaries used in the calculation.</p>	<p><b>Process Owner:</b> Kalief Cole, Deputy City Treasurer</p> <p><b>Completion Date:</b></p> <p><b>Action Plan:</b></p>
<b>Policies and Procedures</b>	<p>8. The Pension Policy and Procedure Manual needs improvement, due to only having a place reserved for the pension calculation sample and not clearly stating how to calculate pensions and the various scenarios such as a reduction in full benefits. The user is expected to refer to City Code Section 39 which is very cumbersome.</p> <p>There is a risk of an inexperienced employee not calculating pension benefits properly without having access to more detailed procedures.</p>	<p>The Policy and Procedure manual should explicitly provide step by step instructions for all pension calculation scenarios and provide calculation examples. The instructions should refer to City Code Section 39.</p>	<p><b>Process Owner:</b> Kalief Cole, Deputy City Treasurer</p> <p><b>Completion Date:</b></p> <p><b>Action Plan:</b></p>

Treasury Policy and Procedure Statements (e.g., the City's Investment Policy) are intended to place parameters around staff activities. They are not intended as a step-by-step operating manual or a substitute for professional competence and judgement; technical knowledge; skills and abilities; or experience and training.

Overall, there seemed to have been a lack of effort involved in this Performance Audit which negatively impacted the overall quality and resulted in a set of findings and recommendations that are either not applicable, meaningful or helpful in improving Treasury operations and controls.