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Internal Audit Department

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Audit Report for

Electronic Fund Transfers

Department of Financial Services
Audit Plan Year 2020

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Background and Scope

Gwinnett County (the County) pays employees and vendors from its bank accounts primarily by check, online electronic fund transfer (EFT), or employee purchasing card. Generally, most are made by EFT instead of check or purchasing card because of cost savings and operational efficiency. Also, employees and vendors prefer the convenience and speed of direct deposits. The County uses two main methods of electronically transferring funds to employees, vendors, and investment accounts. They include Automated Clearing House (ACH) and wire transfers. ACH transfers consist of direct deposits or payment transactions that are processed by various banks through a national clearing house network. ACH transactions can take a few days to process because of the settlement process with receiving banks. The County may set up ACH transfers as recurring or one-time transactions. Examples include payroll direct deposits and electronic vendor invoice payments. ACH transfers are considered economical and safe. Wire transfers are designed to quickly move funds between accounts. The County can send funds to anyone typically within a day. This method is preferred when the availability of funds is important such as real estate purchases, sinking fund payments, or investments. The County prefers to use ACH rather than wire transfers when possible because banks charge higher fees for wire transfers and the County cannot stop or reverse wire transfers. The County processed approximately \$1.4 billion in wire transfers for the audit period May 16, 2019 through May 31, 2020.¹

Agencies and departments may request EFTs, but the Treasury Division (the Division) is responsible for initiating and processing EFTs through Wells Fargo's online portal, Commercial Electronic Office (CEO). Access to the portal is limited to authorized personnel. The portal also contains several features to prevent or detect payment fraud. The Division's key control objectives for EFTs are as follows:

- Ensure EFTs are authorized and for valid business purposes.
- Prevent payment fraud or errors.
- Safeguard County and third-party bank account information.

The purpose of this audit was to evaluate the adequacy and effectiveness of management's control activities that are designed to provide reasonable assurance of achieving the objectives. Internal Audit (IA) interviewed employees, observed certain control activities, and reviewed documentation on a sample basis for the audit period May 16, 2019, through May 31, 2020. We believe the evidence provided a reasonable basis for our assessment. See **Exhibit A** for a summary of our audit procedures. We excluded electronic deposits from the scope of this audit. We also limited our assessment of ACH transfers to a process walkthrough of key control activities because we previously reviewed ACH transactions in the Accounts Payable audit.

¹ Transfers to County-owned investment accounts represented a significant portion of the \$1.4 billion.

Assessment

Management's control activities were generally adequate and effective in providing reasonable assurance of achieving their control objectives. IA found no evidence of abuse or improprieties. We evaluated nine control activities without exception and found no opportunities for improvement. We included best practice suggestions to enhance documentation in certain areas. See **Other Considerations** for details.

Other Considerations

IA observed opportunities to improve documentation for control activities based on best practices and included advisory comments for management consideration only. Management is not required to provide written responses or corrective action plans. The advisory comments are as follows:

- Bank account information kept in SAP vendor master files is used to process vendor invoice payments via ACH. Generally, master file bank account information can only be changed by vendors through a secure online portal maintained by the County. To detect potential abuse or fraud, Financial Analysts obtain daily logs of all bank account changes and confirm the validity of the changes with vendors by phone or email. Financial Analysts are supposed to sign logs and document all communication. IA selected a judgmental sample of daily log reports for two weeks and sought evidence of call-back procedures. IA also reviewed all 27 bank account changes that were entered directly by the Division during the audit period. Financial Analysts verified the bank account changes, but some logs lacked signatures and notes were not clear. IA suggests Financial Analysts sign and date all logs after verifying changes. We also suggest communication notes include the names of vendor representatives who confirmed changes.
- Departments must submit a request form to the Division in order to initiate wire transfers. A Financial Analyst independently verifies bank account details contained on the form with the vendor and approves the request (signs the form). IA reviewed requests for 19 one-time wire transfers and noticed request forms sometimes varied by department. Also, some departments submitted requests by email instead of completing request forms. Departments should use standard forms to request wire transfers and Financial Analysts should sign forms to document verification.

Exhibit A
Summary of Audit Procedures

IA performed the following procedures to evaluate the adequacy and effectiveness of control activities:

- Conducted walkthroughs, completed interviews, and reviewed policies related to EFT processes.
- Reviewed sample of 43 wire transfers for proper approval, call-back verification, and supporting information per policy. Also, traced wire transfer amounts to monthly bank statements to confirm accuracy. **Note:** Call-back procedures are only performed for recurring wire transfers when master file data is initially set up for vendors. The Division does not re-verify bank account numbers once they are set up in master files unless there is a change. Our sample included 24 recurring wire transfers, and we did not confirm the Division's verification of the initial bank account information for them.
- Reviewed sample of 22 investment wire transfers to ensure active and appropriate CEO templates were utilized.
- IA selected a judgmental sample of daily log reports for two weeks ending October 25, 2019, and May 15, 2020, and sought evidence of call-back procedures for vendor bank account changes to SAP master files (ACH). IA also reviewed all 27 bank account changes that were entered directly by the Division during the audit period without exception.
- Evaluated security tokens and dual control measures for access to CEO portal.
- Inspected an ACH interface file that was transmitted from SAP to Wells Fargo and confirmed proper security and encryption measures.
- Inquired about fraud protection and reviewed Wells Fargo contract. Assessed fraud protection measures currently in place and reviewed cyber and crime insurance coverage for reasonableness.
- Reviewed list of active users for Wells Fargo wire and book transfer templates and evaluated for appropriateness; selected and reviewed a sample of two transactions from Recorder's Court.
- Reviewed reconciliations of the Master Concentration bank account for three months without exception.