



Joseph M. Centorino, Inspector General

TO: Honorable Mayor and Members of the City Commission
FROM: Joseph Centorino, Inspector General

DATE: October 6, 2020
PROJECT: Annual Finance Department Bank Account Reconciliations and Summary Report
OIG Audit No. 21-02
PERIOD: August 1, 2019 – July 31, 2020 (Bank Reconciliations)
October 1, 2019 – September 30, 2020 (Daily Debit Transaction Reports and Zero-Balance Accounts)

Upon the discovery of a \$3.6 million fraud involving its Treasury and ACH disbursements in the fall of 2016, the City Administration and Finance Department, among other implemented changes, hired the independent firm of BDO USA, LLP (BDO) to perform an independent audit. On May 17, 2017, BDO issued a report containing sixty (60) findings with recommendations on how to mitigate the City's risk exposure on these disbursements, which also affected other Finance Department functions including payroll and accounts payable.

As a result, the Office of Internal Audit which was subsumed into the Office of the Inspector General (OIG) on November 1, 2019, was assigned to perform a follow-up review to verify whether the recommendations made to correct the deficiencies noted had been implemented or were in the process of being implemented. Although testing found that the specified corrective actions were being taken, we have continued to (1) review the bank reconciliations performed either monthly or quarterly by designated Finance Department staff to verify that they were completed timely and promptly reviewed/approved; (2) confirm that all entries on the Daily Debit Transaction Report were deemed valid by Finance Department staff; and (3) verify that there is a credit in the general depository account and a corresponding debit transaction in another City bank account for all ZBA (zero-balance account) transactions. The results of the testing performed during the specified periods are summarized below:

Monthly Bank Reconciliations Analysis

Although the actual number of bank accounts may vary, the Finance Department typically completes approximately 55 monthly bank reconciliations, and also reconciles the Regions Bank MBPD CID-OAF account on a quarterly basis. Unless otherwise noted, their approved Standard Operating Procedures (SOPs) state that all bank reconciliations are to be completed within 30 days from the end of the month being reconciled. For example, bank reconciliations for May 2020 are to be completed by June 30, 2020, those for June 2020 by July 31, 2020.

Meanwhile, the approved SOPs also state that Finance Department staff have 45 days following the end of the month to complete the bank reconciliations for the General Depository or pooled cash, 5th and Alton Garage, Miami Beach Golf Course and Normandy Shores Golf Course bank accounts. This includes ten to fifteen days to close the books for the month and 30 days to complete the preliminary bank reconciliation and identify each bank reconciling item.

Consequently, the May 2020 reconciliations for these four bank accounts were to be completed by July 15, 2020, those for June 2020 by August 15, 2020 and so forth.

OIG staff's testing was able to verify that all tested bank accounts were timely reconciled and reviewed/approved each month except in the following instance: The 5th and Alton Garage's December 2019 bank reconciliation was completed timely by the Finance reconciler on January 27, 2020, well before its February 15, 2020 due date. However, the date that the designated Finance reviewer completed his review and approved the bank reconciliation was not listed so one could not verify that it was finished timely.

Management Response (Finance Department)

While it is in accordance with the SOP to sign and date the bank account reconciliation after the review is completed, we have added a date field to the bank account reconciliation template to facilitate greater conformity with the SOP. We have also sent each preparer and reviewer a copy of the SOP and required each preparer and reviewer to acknowledge they received and read the SOP.

Validation of Daily Debit Transaction Report Entries

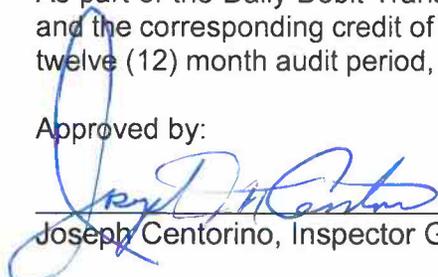
All furnished Daily Debit Transaction Reports generated from the City's operating accounts between October 1, 2019 and September 30, 2020 properly contained notations indicating that they were valid transactions according to designated Finance Department staff. Any transactions that needed to be researched with the bank as to their validity were properly followed up on and were typically cleared within the next day or two. OIG staff relied solely on Finance Department staff's transactional reviews and corresponding approvals as no additional testing was performed to determine their legitimacy.

Review of Zero-Balance Accounts Transactions

A zero-balance account or ZBA can be defined as a checking account in which a balance of zero is maintained by automatically transferring funds from a master account in an amount only large enough to cover the checks presented. A ZBA is used to help eliminate excess balances in separate accounts and to maintain greater control over disbursements.

As part of the Daily Debit Transaction Report, Finance Department staff includes both the debit and the corresponding credit of the ZBA transaction. In reviewing these daily transactions for the twelve (12) month audit period, no exceptions were noted.

Approved by:



Joseph Centorino, Inspector General

10/06/2020
Date

Completed by:



Mark Coolidge, Chief Auditor

10-06-2020
Date

cc: Jimmy L. Morales, City Manager
John Woodruff, Chief Financial Officer
Allison Williams, Deputy Finance Director