

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER**

**AUDIT OF THE OFFICE OF FINANCE AND TREASURY (OFT)'s
PAYMENT OPERATIONS CENTER**

OFFICE OF INTEGRITY AND OVERSIGHT



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Integrity and Oversight

MEMORANDUM

TO: Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer
Office of Finance and Treasury

FROM: Timothy Barry, Executive Director 
Office of Integrity and Oversight

DATE: November 7, 2016

SUBJECT: Audit of Office of the Finance and Treasury's Payment Operations Center (OIO Code No. 16-01-07 OFT)

This final report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO)'s Audit of the Office of Finance and Treasury's (OFT)'s Payment Operations Center (POC). The objectives of the audit were to determine whether the POC has effective internal controls; is operating efficiently and in compliance with applicable policies and procedures; and check stocks, cancelled checks, returned checks and reissued checks are adequately safeguarded from unauthorized use.

We provided five recommendations to address the findings cited in the report. OFT concurred with the recommendations and has proceeded to implement corrective actions. We consider OFT's actions fully responsive to our recommendations.

We appreciate the assistance and cooperation that you and your staff provided during the audit. Should you have any questions or need additional information, please contact me at (202) 442-6433, or Tisha Edwards, Internal Audit Director, at (202) 442-6446.

cc: Jeffrey DeWitt, Chief Financial Officer, Government of the District of Columbia
Angell Jacobs, Deputy Chief Financial Officer and Chief of Staff, OCFO
Marshelle Richardson, Chief Risk Officer, OCFO
Baraka Ondiek, Continuous Improvement Officer, OCFO
Clarice Wood, Associate Treasurer, Banking and Operations, OFT

**AUDIT OF OFFICE OF FINANCE AND TREASURY (OFT)'s PAYMENT
OPERATIONS CENTER**

Table of Contents

EXECUTIVE SUMMARY

OVERVIEW.....i
CONCLUSIONS.....i
SUMMARY OF RECOMMENDATIONSi

INTRODUCTION

BACKGROUND.....1
OBJECTIVES, SCOPE AND METHODOLOGY.....2

FINDINGS AND RECOMMENDATIONS

FINDING 1 INTERNAL CONTROLS OVER THE PROCESSING OF STOP PAYMENTS
AND CHECK CANCELLATIONS.....4
FINDING 2 INTERNAL CONTROLS OVER RETURNED CHECKS.....9

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT.....11

APPENDIX: OFT's MANAGEMENT RESPONSE.....12

**AUDIT OF OFFICE OF FINANCE AND TREASURY (OFT)'s
PAYMENT OPERATIONS CENTER**

ACRONYMS

ARP	Account Reconciliation Program
CFO	Chief Financial Officer
CY	Calendar Year
FY	Fiscal Year
ITS	Integrated Tax System
OCFO	Office of the Chief Financial Officer
OFT	Office of Finance and Treasury
OFOS	Office of Financial Operations and Systems
OIO	Office of Integrity and Oversight
OPRS	Office of Pay and Retirement Services
OTR	Office of Tax and Revenue
POC	Payment Operations Center
SOAR	System of Accounting and Reporting
WFB	Wells Fargo Bank

EXECUTIVE SUMMARY

OVERVIEW

This final report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO) audit of the Office of Finance and Treasury (OFT)'s Payment Operations Center (POC). The audit was included in OIO's Fiscal Year (FY) 2016 audit plan. The audit objectives were to determine whether the POC had effective internal controls; was operating efficiently and in compliance with applicable policies and procedures; and check stocks, cancelled checks, returned checks and reissue checks were adequately safeguarded from unauthorized use.

CONCLUSIONS

We reviewed the controls over check printing to include physical security and maintenance of the District's check stock and conducted testing over the stop payment and check cancellation processes. Additionally, we reviewed the status of findings noted in OIO's report "Audit of the Vendor Center Unit Operations at the Office of Finance and Treasury (Report No. OIO-11-01-12-OFT)," dated November 8, 2011.

Overall, we found that physical security controls were in place and appear adequate to provide secure printing of the checks and safeguarding of the District's check stock. We also found that the majority of stop payments and cancellations are processed properly; however, our testing revealed improvements are needed in the Office of Tax and Revenue (OTR)'s stop payment process, the cancellation process, and the maintenance of supporting documentation. Specifically, we noted the following:

- An OTR stop payment was paid twice as a result of inaccurate supporting documentation,
- Incorrect amounts and check numbers were listed on OTR's stop payment supporting documentation,
- Checks that were already paid per the Wells Fargo banking system, were erroneously cancelled in SOAR,
- Supporting documentation was not always maintained in the KwikTag system, and
- Controls over returned checks still require strengthening.

SUMMARY OF RECOMMENDATIONS

We provided five recommendations to the Deputy Chief Financial Officer and Treasurer, OFT to improve the POC processes. Our recommendations centered on the following:

- Coordinating with the Office of Tax and Revenue to develop new procedures for stop payment requests; preferably with write-protection features within the POC fields.
- Revising procedures around the cancellation process to improve internal controls.

EXECUTIVE SUMMARY

- Complying with POC established procedures for file maintenance and ensure all required documentation is included in the file and adhere to the 48 hour stop payment verification.
- Requiring inclusion of supporting documentation for checks already paid in the file documentation.
- Reinforcing the procedures in place related to tracking, reconciling, and cancelling returned checks.

MANAGEMENT RESPONSE AND OIO COMMENTS

OIO received a written response from the OFT's Associate Treasurer on October 27, 2016, concurring with our findings and recommendations. OFT is in the process of taking certain corrective actions to address the deficiencies noted in this report. We followed up with OFT management regarding the completion dates for the corrective actions and they stated the actions will be completed by November 30, 2016. We consider OFT's planned actions to be responsive to our recommendations. The full text of OFT's response is included as an Appendix to this report.

INTRODUCTION

BACKGROUND

The Office of Finance and Treasury (OFT) is responsible for managing the cash and other liquid assets of the District government, as well as its borrowings and debt repayment. The office coordinates payments to vendors and service providers, accepts payments for services and taxes, invests cash not needed for immediate disbursement, and maintains relationships with the investment community.

The mission of the Payment Operations Center (POC) is to provide check-printing and disbursement services for District Agencies so that they can fulfill their payment obligations. During FY 2015, the POC printed approximately 300,000 checks. The POC is also responsible for stop payment and reissuance of checks that were lost or stolen and the cancellations of checks that are stale dated or issued with incorrect information.

Check Printing Operations

The POC provides check printing, stop payment and cancellation services for the following four District bank accounts: the Main Disbursement account which is used to pay SOAR and OTR related checks, the Unclaimed Property account, the Medicaid disbursement account, and the PeopleSoft payroll account. Each night, the check print files are downloaded from the System of Accounting and Reporting (SOAR) to the Checkwrite server. The next morning, the POC Disbursing Supervisor will set up and print each of the jobs that are to be printed that day. As part of the printing operation, the Account Reconciliation Program (ARP), which is used by the District to assist in the bank reconciliation process, is updated with the checks that will be printed, a positive pay file is created, and the check information is sent to the printer to create the checks. After the checks are printed they are held for 24 hours before distribution. This is to allow time for the positive pay file to be uploaded to the Wells Fargo Bank (WFB).

Positive pay is a preventive internal control designed to prevent unauthorized checks from being cashed. The positive pay file is created when the check information is downloaded to the Check write server and uploaded nightly to Wells Fargo Bank (WFB). Before a District check is paid by WFB, it is matched to the positive pay file to verify it is a valid check issued by the District. If the check is not included in the file it will not be paid by WFB.

The Account Reconciliation Program (ARP) is updated each day with all of the checks that were printed during the days printing operation. The program interfaces with WFB during nightly processing and receives information on checks that have been presented for payment. This program is used to identify outstanding checks during the bank reconciliation process.

Stop Payment and Check Cancellation Process

The POC is responsible for processing stop payments and check cancellation requests. When the POC receives a request for stop payment or check cancellation, POC personnel verify through

INTRODUCTION

the Wells Fargo Bank's (WFB) on-line banking system that the check has not been paid. If the check is still outstanding, the POC places a stop payment on the check. Established POC procedures direct that after 48 hours the POC will reconfirm on the WFB system that stop payment has taken effect and the check had not been presented for payment. If the check status is still shown as outstanding, the POC will complete its part of the stop payment/cancellation process. If the check is not outstanding, the POC takes no action and informs the agency that the check was already paid.

An agency may request a cancellation of a check already issued due to incorrect dollar amount, wrong address, over payment, non-receipt by payee, checks issued in error, or the check is stale dated. A request for a check cancellation must originate with the agency. When a SOAR issued check is cancelled, the POC will first verify in the ARP that the check has not been paid and if it is outstanding, it will be cancelled in ARP. The POC then must cancel each check individually in SOAR so that the appropriate adjustments are made to the accounting records.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether the POC has effective internal controls; is operating efficiently and in compliance with applicable policies and procedures; and check stocks, cancelled checks, returned checks and reissue checks are adequately safeguarded from unauthorized use.

In order to achieve our objectives, we performed the following procedures:

- Obtained an understanding of the internal control structure for the POC.
- Obtained and reviewed applicable POC policies and procedures.
- Observed the procedures and controls covering the print operation.
- Conducted interviews with appropriate personnel from the POC, OFT, Office of Financial Operations and Systems (OFOS) and the Office of Pay and Retirement Services (OPRS).
- Obtained and reviewed stop payment/check cancellation and reissue requests and other documentation supporting the check stop payment/cancellation process.
- Obtained a listing of checks that were cancelled, stopped and reissued and compared these checks to the WFB bank records to ensure the checks were not paid.

The scope of our audit was primarily limited to transactions processed during the period July 1, 2015 through December 31, 2015. However, based on our field work results, we extended the scope of our review to the entire 2015 tax year for the OTR related stop payment requests.

We relied on computer-processed data contained in SOAR and the WFB on line banking system. We did not perform a formal reliability assessment of either of these computer systems. The independent auditors conducted a review of SOAR in the District's annual financial statement audit of the Comprehensive Annual Financial Report (CAFR) for FY 2014. The WFB's

INTRODUCTION

independent auditors performed a review of the WFB information technology systems and found that the control objectives they tested provided reasonable assurance that the system controls were achieved and operating effectively.

This performance audit was conducted in accordance with generally accepted government auditing standards (GAGAS) issued by the United States Government Accountability Office. Those 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMENDATIONS

FINDING 1: INTERNAL CONTROLS OVER THE PROCESSING OF STOP PAYMENTS AND CHECK CANCELLATION

SYNOPSIS

Internal controls over the processing of stop payments and check cancellations require strengthening. We found instances where:

- An OTR stop payment was paid twice as a result of inaccurate supporting documentation;
- Incorrect amounts and check numbers were listed on OTR stop payment supporting documentation;
- Checks that were already paid per the Wells Fargo banking system, were erroneously cancelled in SOAR, and
- Supporting documentation was not always maintained in the KwikTag system.

These deficiencies were caused by ineffective controls to identify and detect data entry errors and non-compliance with established procedures. As a result, there is not a clear transaction audit trail, and cash balances in SOAR do not reflect accurate balances.

DISCUSSION

STOP PAYMENTS

We obtained the following stop payment information for the Main Disbursement, Unclaimed Property, PeopleSoft Payroll, and Medicaid accounts processed during the period July 1, 2015 through December 31, 2015:

**TABLE 1:
STOP PAYMENTS FOR THE PERIOD
JULY 1, 2015 THROUGH DECEMBER 31, 2015**

BANK ACCOUNT	NUMBER OF CHECKS
MAIN DISBURSEMENT-SOAR	342
MAIN DISBURSEMENT-OTR	174
UNCLAIMED PROPERTY	17
PEOPLESOFT PAYROLL	530
MEDICAID	87
TOTAL	1,150

Source: Payment Operations Center/CFO Solve, OTR, and OPRS

FINDINGS AND RECOMENDATIONS

To ensure that stop payments were processed properly, we reviewed stop payments for each bank account against the Wells Fargo Banking (WFB) system records. We did not note any discrepancies in the Main Disbursement-SOAR, Unclaimed Property, Medicaid, or PeopleSoft payroll stop payments; however, we noted deficiencies in the OTR stop payment processing.

OTR Stop Payments

To request a stop payment on a refund check, the OTR prepares an excel spreadsheet listing all stop payment requests. Information contained on the spreadsheet includes the payee name, check amount, check number, and tax year. The spreadsheet and an OTR Application for Stop Check Payment for each check are sent via email to the POC for processing. When the POC receives the request, it searches the check number(s) in the WFB on-line banking system. There are two columns on the excel spreadsheet designated for the POC to enter the results of the request. If the check is outstanding, the POC processes the stop payment and notates the spreadsheet with the stop payment date. If the check was paid, the POC enters the date paid on the spreadsheet with the notation "No Action Taken." The POC emails the completed spreadsheet back to OTR who must cancel and reissue the check through the Integrated Tax System. The POC also maintains a copy of the spreadsheet that is sent back to OTR for their records.

To verify that OFT performed the OTR stop payments correctly, OIO obtained the stop payment spreadsheets from OTR and searched the WFB on-line banking system for each stop payment request to verify that the information on the OTR spreadsheets agreed with the WFB records. We identified one check for \$1,900 that was listed on the OTR spreadsheet as stopped on September 30, 2015; however, WFB showed the check as paid on April 29, 2015. We then reviewed the taxpayer's record in the Integrated Tax System (ITS) and found that the check was cancelled in the ITS on October 5, 2015 and a replacement check was issued to the taxpayer in the amount of \$1,908.12¹. Per the WFB on-line banking system, the replacement check was also cashed.

A comparison of the OTR maintained spreadsheet to the POC maintained spreadsheet revealed that the POC spreadsheet properly listed this check as paid on April 29, 2015 with the notation "No Action Taken." It was noted that the spreadsheet fields are not write-protected or locked when it is emailed back to OTR; therefore, changes can be made to the fields subsequent to POC's comments.

As a result of this error, we expanded our review of OTR stop payments to the entire 2015 calendar year (CY). For CY 2015, OTR provided 63 spreadsheets with stop requests for 441 checks. We reviewed all of the checks listed; however, we did not identify any additional duplicate payments.

¹ The taxpayer received interest of \$8.12 due to the OTR's automatic payment of interest on refunds issued greater than 180 days from the date the return was received.

FINDINGS AND RECOMENDATIONS

In addition to the one duplicate payment identified, we also found discrepancies in the OTR spreadsheets for the CY 2015 stop payments. Specifically, we noted:

- 4 checks on the OTR spreadsheet sheet had incorrect check numbers, and
- 9 checks on the OTR spreadsheet had incorrect dollar amounts recorded.

We obtained and reviewed the supporting documentation from the POC for the spreadsheets that contained errors. The POC did identify these errors in their review and processing of the stop payment requests; therefore, the stop payment was placed on the correct checks for the correct amount; however, none of the errors were corrected on the spreadsheets that were returned to OTR.

Under the current procedures, there are no internal controls in place to ensure that the information forwarded to the POC via email is accurate or that the audit trail is maintained. Internal controls need to be established to ensure that all errors detected by the POC are corrected and at a minimum, the WFB inquiry showing the check had been paid should also be retained in the file as verification that the check was paid. Additionally, the spreadsheet returned to OTR with the results of the POC review should include corrections of any errors discovered by the POC during its review. As an additional control, for all checks that have been paid by WFB, the application for those checks should be stamped paid and returned to OTR with the control spreadsheet. This may reduce the risk of duplicate refunds.

CANCELLED CHECKS

The POC is responsible for recording check cancellations in SOAR. When a SOAR issued check is cancelled, the POC first verifies in the ARP that the check has not been paid. If it is still outstanding, it is cancelled in ARP. If it is not outstanding, no action is taken. The POC must also cancel each check individually in SOAR so that the appropriate adjustments are made to the accounting records.

To ensure that checks noted as cancelled were not actually paid, the OIO obtained a CFO Solve report from the POC which listed 2,356 checks that were cancelled in SOAR during the period July 1, 2015 through December 31, 2015. We verified the status in the WFB on-line banking system for 1,500 of the 2,356 checks cancelled in SOAR during the 6 month period. Our verification identified 8 checks totaling over \$30,000 that were actually paid according to the WFB on-line banking system. We spoke to the POC manager who indicated that the errors were most likely due to data entry by POC staff.

Additionally, in our walkthrough of the cancellation process, we reviewed the Office of Financial Operations and Systems (OFOS) check cancellation request submitted to the POC in August 2015. In our review of the August 2015 OFOS check cancellation request, we identified three checks totaling \$6,000.00 that were included on the list for cancellation, but were not cancelled in SOAR. As of September 7, 2016 the three checks have not been cancelled.

FINDINGS AND RECOMENDATIONS

POC DOCUMENTATION

The POC uses KwikTag, a document management system, for document retention. The POC provided OIO with 178 Kwik Tag files containing the supporting documentation for stop payments and check cancellations as required by the POC policies and procedures. We reviewed the supporting documentation for 60 of the 178 Kwik Tag files. We verified that the files contained the check stop payment/cancellation request forms, the ARP and SOAR screen printouts, and stop payment, 48 hour reconfirmation printouts or the check images, and for SOAR checks, the cancellation request had the POC certification of data entry into SOAR. The files generally contained the required information; however, we did identify the following exceptions in the review of the files:

**TABLE 3
KWIKTAG DOCUMENTATION EXCEPTIONS**

Exceptions	Number
File only contained Stop Payment Request	10
File only contained 24 Hour Stop Payment Reverification	8
SOAR Data Entry Certification not Signed ²	16
Customer Request not in File or Incomplete	7
ARP Totals did not Agree with Customer Request	1
ARP Screen Printout not in File	2

Source: OIO

We also noted that the POC did not retain any information on stop payment requests where the check had been paid by WFB. Neither the agency request form, nor the WFB printout showing the payment date, was retained in the POC file. For OTR stop payment requests, the POC annotated on the control spreadsheet that the check was paid, the payment date, and that no action was taken. We believe the WFB report showing the paid status and date should be kept in the file to ensure that the audit trail is maintained.

RECOMMENDATIONS:

We recommend that the Deputy Chief Financial Officer and Treasurer, OFT:

1. Coordinate with the Office of Tax and Revenue to develop new procedures for stop payment requests; preferably with write-protection features within the POC fields.
2. Revise procedures around the cancellation process to improve internal controls.
3. Comply with POC established procedures for file maintenance and ensure all required documentation is included in the file and adhere to the 48 hour stop payment verification.

² Payroll and OTR stop payment/cancellation requests use different request forms. None of the instances cited were Payroll or OTR requests.

FINDINGS AND RECOMENDATIONS

4. Require inclusion of supporting documentation for checks already paid in the file documentation.

MANAGEMENT RESPONSES AND OIO COMMENTS

Management Response (Recommendation 1)

OFT concurred with the recommendation and stated that it will develop new procedures with stronger controls to insure information forwarded to OTR is secure and an audit trail is maintained. Additionally the spreadsheets returned to OTR will include corrections of any errors discovered by the POC and the spreadsheet cells affected by the POC will be write-protected.

OIO Comment

OFT's planned corrective action is responsive and meets the intent of the recommendation.

Management Response (Recommendation 2)

OFT is revising procedures to strengthen controls and oversight. The POC manager will assign agency requests to two staff by check type and they will complete the entire update process to all systems (ARP, SOAR, Bank). In addition, another level of review will be added to audit the daily work packages. This review will insure the agency form, the Bank system, ARP, and the SOAR CFO Solve Report are all in sync.

OIO Comment

OFT's planned corrective action is responsive and meets the intent of the recommendation.

Management Response (Recommendation 3)

OFT will retrain staff to insure the 48 hour stop payment reconfirmation is performed and documentation is included in the file

OIO Comment

OFT's planned corrective action is responsive and meets the intent of the recommendation.

Management Response (Recommendation 4)

OFT will retrain staff to include in the file documentation bank verification of checks in paid status.

OIO Comment

OFT's planned corrective action is responsive and meets the intent of the recommendation.

FINDINGS AND RECOMENDATIONS

FINDING 2: INTERNAL CONTROLS OVER RETURNED CHECKS

SYNOPSIS:

We noted that internal controls over returned checks still need strengthening. Although procedures were updated to provide direction on the disposition of returned checks, we noted that the procedures are not always followed. In one instance, we found a returned check still in an agency's possession without the knowledge of the POC. Returned checks should be monitored, reconciled, and cancelled to reduce the risk of impropriety.

DISCUSSION:

The OIO issued the audit report titled, Audit of the Vendor Center Unit Operations at the Office of Finance and Treasury, (Report No. OIO-11-01-12-OFT), dated November 8, 2011, which addressed the handling of checks returned by the U.S. Postal Service. The Vendor Center was merged with the Disbursement Unit in FY 2010 and renamed the POC. The report stated that the Center had no controls to track and reconcile checks returned by the U.S. Postal Service. The POC concurred and stated that OFT would develop a business practice to track returned checks.

The Financial Policies and Procedures Manual dated February 1, 2015, states that the POC will keep returned checks and notify the agency that it has 10 business days to respond with disposition instructions or the checks will be cancelled and destroyed by the Treasury. In our follow-up of previously reported findings, we interviewed the accountant in the Unclaimed Property Unit about procedures for cancelling and reissuing checks in order to get the agency's perspective. During the interview, we found a returned check was in the Unit's possession. We brought this to the attention of the POC who could not offer a reason for this occurrence.

During the course of the audit, the POC manager reinforced the procedures to the staff and assigned an employee to improve and revise record keeping over returned checks. The POC provided us a copy of the revised log which contains checks that had been returned to the POC as undeliverable as of August 2016. We reviewed the log and found over 500 checks listed as outstanding. The POC should begin cancellation of any check that the agency has not provided disposition instructions for in accordance with its policies and procedures.

FINDINGS AND RECOMENDATIONS

RECOMMENDATION:

We recommend the Deputy Chief Financial Officer, OFT:

5. Reinforce the current procedures related to tracking, reconciling, and cancelling returned checks.

MANAGEMENT RESPONSE AND OIO COMMENT

Management Response

OFT will reiterate the policy on returned checks to all agencies. In addition, OFT will cancel checks within 10 days based on the agency request or non-response. OFT will continue to catalog and track all returned checks to ensure agency notifications, responses and cancellations occur timely.

OIO Comment

OFT's planned corrective action is responsive and meets the intent of the recommendation.

Exhibit A: Summary of Potential Benefits from Audit

No.	Recommendation	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status ³
1	Coordinate with the Office of Tax and Revenue to develop new procedures for stop payment requests; preferably with write-protection features within the POC fields.	Internal Control	November 30, 2016	Open
2	Revise procedures around the cancellation process to improve internal controls.	Internal Control	November 30, 2016	Open
3	Comply with POC established procedures for file maintenance and ensure all required documentation is included in the file and adhere to the 48 hour stop payment verification.	Internal Control	November 30, 2016	Open
4	Require inclusion of supporting documentation for checks already paid in the file documentation.	Internal Control	November 30, 2016	Open
5	Reinforce the current procedures related to tracking, reconciling, and cancelling returned checks.	Internal Control	November 30, 2016	Open

³ This column provides the status of the recommendation as of the report date. For final reports “Open” means management and the OIO are in agreement on the action to be taken, but the action is not complete. “Closed” means that management advised that the action taken needed to correct the condition is complete. If a completion date was not provided the date of management’s response was used. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

Appendix: OFT Management Response

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER



Office of Finance and Treasury

MEMORANDUM

TO: Timothy Barry, Executive Director,
Office of Integrity and Oversight (OIO)

Tisha Edwards, Interim Director, Internal Audit
Office of Integrity and Oversight (OIO)

FROM: Clarice Wood, Associate Treasurer,
Office of Finance and Treasury (OFT)

DATE: October 27, 2016

SUBJECT: Office of Finance and Treasury's (OFT) Response to Memorandum
For Audit of Office of Finance and Treasury (OFT)'s
Payment Operations Center **OIO Code No. 16-01-07 OFT**

This memo is in response to the OIO audit performed at the Payment Operations Center (POC) during FY16. The audit report request is dated October 7, 2016. Below please find OFT's response.

Recommendation 1: Coordinating with the Office of Tax and Revenue to develop new procedures for stop payment requests; preferably with write-protection features within POC fields.

OFT Response:

OFT will develop new procedures to apply stronger controls to ensure that the information forwarded to OTR via email is secure and that the audit trail is maintained. Internal controls will be established to ensure that all errors detected by POC are corrected and, the bank inquiry demonstrating that the check has cleared will be retained in the Kwiktag file as verification. Additionally, the spreadsheet returned to OTR with the results of the POC review will include corrections of any errors discovered by POC in the data submitted. The spreadsheet cells affected by POC will be write-protected and any edits/changes to the original information will be explained.

These changes will be discussed with the OTR accounting team that oversees this process to include Beth Spooner.

Recommendation 2: Revising procedures around the cancellation process to improve internal controls.

OFT Response:

OFT is revising its procedures to strengthen internal controls and oversight. At this time, two separate staff complete portions of the process which as denoted creates opportunities for errors to occur. The

Appendix: OFT Management Response

POC manager will assign the agency requests to two staff by check type and they will complete the entire update process to all respective systems (ARP, Bank, SOAR). This reduces the chance that someone misses or did not know to complete a step in the process. In addition, OFT will add another level of review to audit the daily work packages. The separate staffer will receive the work at the end of the day, review all documents to ensure the agency request form, the Bank system, ARP, and SOAR (CFO Solve Report) all reflect the correct/updated information and therefore, are all in sync. They will sign each package indicating their review. The POC policy will also be updated to reflect this change.

Recommendation 3: Complying with POC established procedures for file maintenance and ensures all required documentation is included in the file and adheres to the 48 hour stop payment verification.

OFT Response:

OFT will retrain staff to include the bank confirmation that the stop payment is in effect after the 48 hour verification period and to include it in the Kwiktag documentation file.

Recommendation 4: Requiring inclusion of supporting documentation for checks already paid in the file documentation.

OFT Response:

OFT will retrain staff to print the bank verification of checks in the paid status and include it in the kwiktag file to ensure the documentation trail is maintained.

Recommendation 5: Reinforcing the procedures in place related to tracking, reconciling, and cancelling returned checks (checks returned in the mail for bad addresses, etc.).

OFT Response:

POC will send a communication to all agencies reiterating the policy of responding to inquiries about checks returned to POC in the mail. Further, OFT will reinforce the procedures with staff to ensure checks are cancelled within ten days, in the case of both an agency request or agency non-response. All checks returned in the mail will continue to be cataloged and tracked to ensure agency notifications, responses and cancellations occur timely.

cc: Jeffrey Barnette
Janelle Edgar
Joseph Cobb
Gerald Fraynert