



DEPARTMENT OF INSPECTOR GENERAL
OKALOOSA COUNTY, FLORIDA
JD PEACOCK II, CLERK OF CIRCUIT COURT AND COMPTROLLER



Date: December 06, 2018

To: J.D. Peacock II, Clerk of Courts

From: Brad Embry, Inspector General

Subject: Report on review of Electronic Funds Transfers

Please find attached the report on our review of controls and procedures over electronic funds transfers.

Our work served as a review of the procedures that the clerk finance department uses to process electronic funds transfers for the Board of County Commissioners and the controls that protect and monitor this process.

We'd like to thank Ron Adamov and the finance department staff for the cooperation afforded us.

If you have any questions or wish to discuss this further, please let me know.

CC: Ron Adamov, Chief Financial Officer
Gary Stanford, Director of Board and Treasury Services
Marcella Eubanks, Finance Manager
Olivia Tanner, Accounting Clerk Supervisor

OKALOOSA COUNTY CLERK OF CIRCUIT COURT



DEPARTMENT OF INSPECTOR GENERAL



REVIEW OF PROCEDURES AND CONTROLS OVER ELECTRONIC FUNDS TRANSFERS

REPORT ISSUED DECEMBER 06, 2018

ISSUED BY: BRAD E. EMBRY, INSPECTOR GENERAL

AUDIT CONDUCTED BY: ANDREW THURMAN

Background

Based on the Department of Inspector General's 2017 Risk Assessment, our office's annual work plan included a review of the procedures and controls over Electronic Funds Transfers (EFTs) conducted by the Okaloosa County Clerk of Court and Comptroller (Clerk) for the Board of County Commissioners (BCC).

Objective

The objective of our review was to identify and evaluate the effectiveness of controls over, and procedures involved in, EFTs conducted by the Clerk for the BCC.

Scope & Methodology

The scope of our review covered procedures and controls over EFTs. The scope included EFTs for Accounts Payable, Payroll, and payments to the Florida Department of Revenue. Among these, payments to the DOR were considered the lowest risk due to the State's monitoring and controls. Payroll was considered medium risk, due to automated calculation and the likelihood of mis-payment notification. Accounts Payable were considered the highest risk, due to the unpredictability of payment amounts and large number of vendors. Though our review covered all EFTs, our testing focused on Accounts Payable due to the assessment of risk. We examined controls and procedures in place at the time of fieldwork, and control testing covered the period of June 1, 2018 through August 31, 2018.

During control testing, we ensured that contracts and invoices were applicable, but our scope did not include an examination of the specific terms of any contracts or verifications that purchases were made in accordance with the County's purchasing manual or included in the County's budget.

Review methodology included interviews with Clerk Finance Department management and staff, identifying risk, process walkthroughs, and tests of controls.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, waste, or abuse. This includes the design, implementation, and maintenance of internal controls relevant to these objectives. This review was conducted in compliance with International Standards for the Professional Practice of Internal Audit issued by the Institute of Internal Auditors, Government Auditing Standards issued by the Comptroller General of the United States, and Principles & Standards for Offices of Inspector General issued by the Association of Inspectors General.

Electronic Funds Transfer Process & Controls

As per the Florida Constitution, the Clerk serves as the Treasurer for the BCC and is responsible for managing the BCC's accounts and processing all receipts and expenditures on their behalf. BCC EFTs are approved by the Director of Board and Treasury services within the Clerk's Finance department and processed by Clerk accounting staff.

For a vendor to receive payment from the Clerk via EFT, they must have submitted an EFT Authorization Form or a document giving the clerk explicit written permission to remit payments by EFT. Vendor invoices are received by the Clerk finance department, matched to the appropriate purchase order or contract, and approved for payment. BCC payables are processed weekly,

approved by the Director of Board and Treasury Services, and then forwarded to the bank for payment.

The software used by the Clerk for storage/maintenance of supporting financial documentation, OnBase, links related documents together. When a check number is queried, the associated invoice and/or contract payments form is also returned. Users of this system are only given access to the specific functions necessary for their work, and change authority is heavily restricted.

Control Testing

As mentioned above, we elected to focus testing on accounts payable EFTs due to the initial assessment of risk. Our office conducted testing of the controls over the approval and remittance of EFTs. We selected 2 of the weekly payrolls runs each from June through August of 2018 for a total of 6 samples. From each of these, 10 payments were selected haphazardly, for a total of 60 payments tested. We concluded that the controls tested during our fieldwork were operating effectively.

Conclusion

The scope and methodology employed during our review were sufficient to enable our office to express an opinion on Clerk Electronic Funds Transfers. We believe that procedures and controls over EFTs are appropriately designed and operating effectively. No material weaknesses or significant deficiencies were identified during our review.