

INTER-OFFICE MEMORANDUM



FULTON COUNTY

TO: Patrick O'Connor, Director of Finance
FROM: *Anthony Wicks* Director of Internal Audit
SUBJECT: Treasury Gift Card Audit 4th Quarter 2011
DATE June 18, 2012

The Office of Internal Audit has completed an audit of the Treasury Gift Cards for the 4th Quarter of 2011. Attached is a copy of our audit report including findings and recommendations for corrective actions.

If you have any additional questions please contact me.

Attachment

cc: Sharon Whitmore, Assistant Finance Director
Tammy Goebeler, Investment Officer



**FULTON COUNTY, GEORGIA
OFFICE OF INTERNAL AUDIT**

**TREASURY GIFT CARD AUDIT REPORT
4TH QUARTER 2011**

June 18, 2012

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Introduction

The Office of Internal Audit performed an audit of the VISA gift cards issued by the Office of Treasury in the Finance Department. The audit was conducted as required by the Treasury Gift Card Standard Operating Procedures. The standard operating procedures were recently updated in December 2010 as a result of employees' misuse of gift cards. Treasury is currently responsible for safeguarding, procuring, and distributing the gift cards to the appropriate agencies of Fulton County. The gift cards were issued to the Department of Health and Human Services (HHS) for their Teen Dads Program; the Juvenile Court/Family Drug Court; and to the Office of Communications for the quarterly Fulton One County United in Service (F.O.C.U.S.) Awards.

Background

HHS's Teen Dads Program provides support services to teen fathers who are 19 years of age or younger who are usually unemployed and/or homeless. The gift cards are used as incentives to encourage the teen fathers to support their children and will only be used to obtain items for the child. The participants receive \$25 gift cards on a monthly basis.

The Juvenile Court/Family Drug Court issues both \$25 and \$50 gift cards to participants for incentives according to the grant guidelines. Incentives are provided based on successful completion of various parts of the program and other positive behaviors. Grant funds will be used to purchase court ordered incentives for parents and children that comply with treatment plans. Court employees are required to assist and accompany participants in purchasing the incentives.

The Office of Communications recognizes outstanding employees on a quarterly basis with the F.O.C.U.S. Award and a \$50 gift card, as a gift of appreciation.

Prior to the 3rd quarter 2011, the Treasury Department only ordered gift cards in increments of 500 and with a face value of \$25 and \$50. However, as time progressed, the needs of the programs that utilize the gift cards have also changed. Specifically, HHS used gift cards ranging in value from \$50 to \$100. Treasury now orders gift cards in varying quantities and values with disbursements to HHS (76%) and the Office of Communications (24%).

Every Fulton County department and program that utilizes gift cards issued by the Treasury Department should comply with its department's Gift Card Standard Operating Procedures and routinely review the procedures to ensure they reflect the actual operating practice. At the time of our audit, a Juvenile Court Gift Card Review had been completed in which Juvenile Court developed and implemented a gift card reconciliation process.

Objective

The objective of our audit was to evaluate the effectiveness of procuring the gift cards and determine if adequate controls are in place to prevent misuse.

Scope

The period covered by this audit is October 1, 2011 through December 31, 2011.

Methodology

During our audit of the gift cards, we examined evidence to determine compliance with the standard operating procedures. The evidence we reviewed included:

- Treasury Gift Card Standard Operating Procedures
- HHS Gift Card Standard Operating Procedures
- Juvenile Court Program Gift Incentives Policy and Procedures
- Wachovia Gift Card Order Requests
- Wachovia Gift Card Inventory Logs
- Physical Gift Card Inventory
- Gift Card Requisition Forms
- Gift Card Participant Rosters

Findings and Recommendations

Finding 1 – Antiquated Treasury Gift Card Procedures

In 2010, the Treasury Department established official Treasury Gift Card Standard Operating Procedures to be utilized when procuring and distributing prepaid gift cards. According to the procedures, Treasury would only order 500 gift cards with a value of \$25 and would reorder gift cards if the inventory was less than 200. During our review, we noted that Treasury's gift card inventory varied in quantity and value and that no fixed inventory level was maintained. Treasury did not order any gift cards during the 4th quarter 2011. However, their gift card inventory level ranged from 36 to 123 and the value ranged from \$25 to \$200. The actual gift card procedures followed is inconsistent with the Treasury Gift Card Standard Operating Procedures.

Recommendations

In order to eliminate the perception of noncompliance with Standard Operating Procedures and increase uniformity, we recommend that the Treasury Department regularly review and modify its Gift Card Standard Operating Procedures to reflect its actual standard operating practices. The Gift Card Procedures should be revised to allow for the flexibility of gift card order quantities, gift card order values, and gift card inventory levels.

Finding 2 – Noncompliant Gift Card Requisition Forms

In 2010, Health and Human Services (HHS) established official HHS Gift Card Standard Operating Procedures to be utilized when procuring and distributing prepaid gift cards. According to the Procedures, only \$25 gift cards would be ordered. During our review, we noted that the Teen Dads Program's Gift Card Requisition Form requested gift cards with the following

face values: \$50, \$75, and \$100. The inconsistencies that exist between HHS's Gift Card Standard Operating Procedures and the actual procedures of the Teen Dads Program give the appearance that either HHS's Gift Card Standard Operating Procedures are antiquated or the Teen Dads Program is noncompliant with the current procedures.

Recommendations

In order to recognize changes in program incentives, we recommend that HHS regularly review and modify all Gift Card Standard Operating Procedures. These procedures should reflect the actual operating practices of its programs. The Gift Card Procedures should be revised to allow for the flexibility of requested gift card values. On the other hand, if the program incentives have not changed, we recommend that HHS ensure that all program managers comply with the current HHS Gift Card Standard Operating Procedures.

Finding 3 – Noncompliant Participant Rosters

In 2010, the Department of Health and Human Services (HHS) established official Gift Card Standard Operating Procedures to be utilized when purchasing, utilizing, and reconciling prepaid gift cards. According to HHS's Gift Card Procedures, program managers are responsible for obtaining the participant's signature on the roster for the receipt of all gift cards. During our review, we noted that there were not any participant signatures on any of the Teen Dads Program's Participant Rosters. Thus, the Teen Dads Program is noncompliant with HHS's Gift Card Standard Operating Procedures. The absence of the participant signatures weakens internal controls over the distribution and use of gift cards. Additionally, persons other than the program's participants could be fraudulently utilizing the gift cards.

Recommendations

We recommend that HHS include a participant signature column on its Gift Card Participant Rosters and that all HHS programs that utilize Treasury gift cards as incentives comply with HHS's Gift Card Procedures. According to the HHS Gift Card Procedures, the program managers should obtain the participants' signatures on the program's Participant Roster to acknowledge the receipt of all gift cards.

Conclusion

During the Treasury Gift Card Review, the Office of Internal Audit has noted the following three weaknesses: Treasury's current Gift Card Standard Operating Procedures do not accurately depict what actually occurs within the department; HHS's current Gift Card Standard Operating Procedures conflict with the Teen Dads Program's Gift Card Requisition Forms; and the Teen Dads Program's Participant Roster does not comply with HHS's Gift Card Standard Operating Procedures. The Office of Internal Audit will continue to monitor and audit the Treasury gift cards on a quarterly basis.

We would like to thank management and staff for their timely cooperation and assistance during the audit.