



FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
Treasury Gift Card Audit (Q2 2017 & Q3 2017)
August 23, 2018

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INTRODUCTION

The Office of the County Auditor performed an audit of the Treasury Gift Card Program administered by the Finance Department's Office of Treasury. The quarterly audit was conducted as required by the *Treasury Gift Card Procedures*.

BACKGROUND

The Finance Department's Office of Treasury manages the Treasury Gift Card Program which consists of procuring, safeguarding, and distributing prepaid gift cards to all Fulton County programs. The Treasury Gift Card Program allows departments within Fulton County to obtain prepaid VISA gift cards in denominations of \$25, \$50, \$75, \$100, \$200, and \$500. Departments provide the gift cards as incentives to participants in various County programs and/or activities. Gift cards are also provided as prizes for contests offered throughout the County and/or monetary awards to recognize employee achievements. During our review, we noted that gift cards were issued to the following departments:

The Personnel Department provides gift cards as employee prizes to be distributed at the annual Employee Appreciation Carnival. The prizes include a \$50, \$100, and \$200 gift card.

External Affairs provides gift cards for the "Fulton-One County United in Service" (F.O.C.U.S) awards. The F.O.C.U.S. program recognizes employees of Fulton County Government for their exemplary service. Any employee of Fulton County may nominate another employee for recognition in one (1) of the ten (10) possible categories. The awards categories are as follows:

- Customer Service
- Efficiency
- Heroism
- All People are Healthy
- Impact
- All People Trust Government and are Fiscally Sound
- All People Have Economic Opportunities
- All People Are Culturally and Recreationally Enriched
- All People Are Self Sufficient
- All People are Safe

Nominations may include individual employees or teams of employees working together. The award amounts for individual and group awards are \$50 and \$150, respectively. Nominations are reviewed by a countywide Nomination Review Committee. The committee evaluates nominations based on award criteria.

The **Department of Housing and Community Development** hosts a five (5) week Summer Internship Program for youths in Fulton County. The youths are provided with a \$25 gift card weekly to purchase lunch daily during the course of the program.

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of the existing policies and procedures related to the procurement and distribution of gift cards and to determine the adequacy of controls over the departmental operating procedures to ensure compliance with the *Treasury Gift Card Procedures*.

SCOPE

The scope of this audit was from April 1, 2017 through September 30, 2017.

METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). 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.

To achieve our audit objectives, we performed a physical count of the gift card inventory and reviewed the following documentation:

- Treasury Gift Card Standard Operating Procedures
- Departmental Gift Card Standard Operating Procedures
- Wells Fargo Gift Card Order Requests
- Gift Card Inventory Management Log
- Gift Card Requisition Forms
- Gift Card Inventory Listings
- Gift Card Reconciliations
- Gift Card Rosters

We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives. Our findings and recommendations are detailed below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Gift Cards not Relinquished in a Timely Manner

Best practices indicate that standard operating policies and procedures are developed to achieve efficiency and uniformity. The *Treasury Gift Card Procedures*, Section II, Disbursement of Gift Cards to Agencies, states “The agency should only request the amount of cards to be distributed within a one-month timeframe as agencies shall not maintain their own gift card inventory to reduce the risk of fraud.”

We noted during the calendar year 2017, the Department of Housing and Community Development possessed gift cards for more than eight (8) months. In addition, we observed that the department currently possesses gift cards beyond the one-month timeframe. We also noted that the gift cards were not stored in a secured place. Currently, there are no procedures in place to address the relinquishment of gift cards that are not issued timely or properly securing gift cards. Failure to properly issue or relinquish gift cards within a one-month timeframe increases the risk of fraud or theft. Furthermore, failure to properly secure gift cards could result in unauthorized usage and increase the risk of fraudulent activity.

Recommendation

We recommend that departments comply with the *Treasury Gift Card Procedures*. Additionally, we recommend that the *Treasury Gift Card Procedures* be amended to address the relinquishment process and the departments’ responsibility to properly secure gift cards.

Finding 2 – Reconciliation Timeframe Not Stated in Policy

The *Treasury Gift Card Procedures* states that reconciliations of gift cards are required. During our review of the inventory management log, we discovered where gift cards were ordered on July 6, 2017 and the reconciliation was not submitted until April 18, 2018, nine (9) months after the date of the original gift card order date. Although, the *Treasury Gift Card Procedures* states that reconciliations of gift cards are required; the procedures do not address a timeframe to submit reconciliations to Treasury. As a result, the department failed to submit gift card reconciliations in a timely manner. Delayed reconciliations could increase the risk of financial reporting errors and/or increase the risk of fraud, waste and abuse.

Recommendation

In order to strengthen the controls over the gift card process, we recommend that the Treasury department update the *Treasury Gift Card Procedures* to include a timeframe to submit reconciliations to ensure reconciliations are completed in a timely manner.

Finding 3 – Lack of Supervisory Review

Adequate levels of reviews are vital to ensure errors are identified in a timely manner. In addition, a supervisory review should be performed to ensure accountability. The Treasury department utilizes a manual gift card inventory process to track the distribution and the number of cards on hand.

During our review of the gift card inventory, we noted that an excel spreadsheet is used to track the distribution and the number of cards on hand. The manual tracking is captured through manual entry into an excel spreadsheet. Our review of the gift card inventory revealed that the physical count did not agree to the excel spreadsheet provided. Upon further review and discussion, it was determined that there is no level of review and that the manual inventory tracking sheet was not properly updated which resulted in an inaccurate amount reflected for the gift card inventory. The lack of supervisory and/or multiple levels of reviews increase the risk of human errors and inaccurate reporting.

Recommendation

In order to mitigate or prevent errors during the gift card inventory review process, we recommend that the Treasury department update the *Treasury Gift Card Procedures* to include a supervisory review.

Audit Concern 1 – Sensitive Personal Data

Our review of the Summer Youth Internship Program gift card reconciliation noted that during the calendar year 2017, the *Intern Lunch Stipend Gift Card Release Form* did not require the participants' to include their social security number. However, during calendar year 2018 the participants' full social security number was reflected on the *Intern Lunch Stipend Gift Card Release Forms*. The participant forms required the full social security number for each participant in order to obtain a gift card. Listing the participants' full social security number on these forms increases the risk of theft of sensitive personal data. As a result of the audit, the department has revised the *Intern Lunch Stipend Gift Card Release Form* to only list the last four (4) digits of the participants' social security number.

CONCLUSION

Our audit of the Treasury Gift Cards identified several weaknesses that have resulted in the following findings:

- Gift Cards not Relinquished in a Timely Manner;
- Reconciliation Timeframe Not Stated in Policy; and
- Lack of Supervisory Review.

We also reflected one (1) concern that referenced the risk of exposure to personal sensitive information.

We recommend the Treasury department staff give immediate attention to the above findings and recommendations. Management should make the appropriate efforts to revise the *Gift Card Procedures* and properly inform all departments in order to strengthen internal controls over gift cards.

Please provide a written response to this audit within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted through the County Manager's Office and to Robbie Bishop-Monroe in the Office of the County Auditor at Robbie.Bishop-Monroe@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.