



Performance Audit

***Gift Card Controls- Departments of
Social Services and Health***

Durham County Internal Audit Department

September 4, 2013



Richard Edwards
Internal Audit Director
rcedwards@dconc.gov

Internal Audit Department
200 E. Main Street, 4th Floor
Durham, NC 27701
(919) 560-0042
FAX: (919)560-0057

Audit Committee:
Fred Foster, Jr.
Brenda Howerton
William Pierce
Ellen W. Reckhow
Manuel L. Rojas
Michael M. Ruffin
Harrison Shannon

September 4, 2013

Michael M. Ruffin,
County Manager,

Dear Mr. Ruffin,

The Audit department has completed its audit of gift card controls for DSS and Public Health Departments. The audit focused on (1) controls in place to appropriately account for gift card purchases and disbursements and (2) whether cards were used appropriately in accordance with program guidance and statutes.

The audit results were favorable in that both departments have adequate controls over their card programs. Each department has written policies and procedures and each case we reviewed showed policies and procedures were followed. Gift cards were used in accordance with program parameters.

The audit report includes one recommendation for an enhancement by DSS. We recommend that upon purchasing cards they be immediately logged into the registry instead of waiting until they are distributed. We believe this process will provide better up-front oversight of the card inventory. Otherwise, DSS's internal controls over gift cards, which also include bus passes and food cards, are adequate and much improved over the March 2012 audit results. We did not make a recommendation for enhancements to Public Health's control processes.

We appreciate the assistance both departments provided in the conduct of this audit. Both have reviewed the report and their comments are attached.

Sincerely

Richard Edwards,
Internal audit Director

CC: Gayle Harris, Public Health Director
Michael Becketts, DSS Director

Introduction

The Audit Committee approved this audit as a follow-up to the March 30, 2012, DSS Special Project report. The Committee believed gift card controls for Public Health, the second biggest user of gift cards, should be reviewed at the same time because it had not been subject to a recent audit. This performance audit was approved by the Audit Oversight Committee in the fiscal year 2014 Audit Plan.

We conducted this audit in accordance with generally accepted government auditing standards. The standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. I believe the evidence obtained provides a reasonable basis for the findings and conclusions based upon the audit objectives.

A performance audit is an engagement that provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Audit Objectives, Scope and Methodology

Fieldwork for the DSS and Public Health Department's Gift Card Controls audit engagement was conducted between July 29, 2013, and August 12, 2013. The objectives of our audit were to answer the following specific questions:

1. Are gift card purchases appropriately accounted for?
2. Are gift card expenditures or dispositions appropriately accounted for?
3. Are gift cards used appropriately?

To answer our objectives, we reviewed gift card processes for DSS and Public Health for FY2013. Specific audit steps included:

1. Reviewing DSS and the Public Health's gift card policies and procedures,
2. Reviewing gift card accounting logs,
3. Reviewing County financial records of gift card expenditures,
4. Comparing gift card requisition documentation with accounting logs,
5. Comparing gift card accounting logs with documentation of gift card disposition,
6. Comparing gift card requisition totals with gift card disposition totals,
7. Interviewing DSS and Public Health employees,
8. Reviewing a judgmental sample of the three categories of gift cards (initial clothing, bus passes, and food cards) from DSS,
9. Reviewing a random sample of gift cards purchased by Public Health, and
10. Reviewing gift card expenditure authorizations.

Background

To carry out their missions, DSS and Public Health Departments provide gift cards, including bus passes and food cards, to specific clients for specific programs. The value of the gift cards purchased in these departments in FY2013 was \$90,538; DSS purchased \$71,578 while Public Health

purchased \$18,960. The following exhibits show the number and amount of cards purchased and the general purpose or uses for both departments in fiscal year 2013.

Exhibit 1: DSS Gift Card Purchases

Program	# of Cards	Amount
Foster Care Initial Clothing	57	\$12,096
Food cards	750	\$20,500
Bus Passes	2,500	\$38,982
Total	3,307	\$71,578

Source: Data provided by DSS

**Exhibit 2: Public Health Gift Card Purchases
(Incentives given for participation in the following programs)**

Program Description	# of Cards	Amount
Community outreach to identify and eliminate tuberculosis (Tuberculosis Clinic)	40	\$200
HIV/Syphilis education and testing	50	\$500
Nutrition educational outreach assessment (DINE)	100	\$1,000
Pre and early pregnancy management strategies to improve health for women and children. (Birth Equity Listening Sessions)	60	\$1,200
Hepatitis C Testing Program	200	\$2,000
Adolescent birth control accessibility survey (Secret Shoppers)	40	\$2,000
HIV/STD outreach targeting high-risk communities (Non-traditional Testing)	480	\$4,800
Teen pregnancy prevention outreach program (Together Everyone Accomplishes Something)	282	\$7,260
Total	1,252	\$18,960

Source: Data provided by Public Health

Findings and conclusions

Both DSS and Public Health Departments have adequate controls over the purchase, disbursement, and security of gift cards. Both departments have written procedures for purchasing and disbursing gift cards that include proper signatures at all levels. Also security of card stock is appropriate. These controls make it unlikely that cards will not be provided to intended users and used for unauthorized purposes.

DSS and Public Health purchase gift cards for different reasons; however, the process to obtain them is the same. When gift cards are required, responsible staff members in each department submit a requisition document to the department director. Upon approval by the Director a request is made to the County's Finance Director to purchase the gift cards with the department's procurement card. The Finance Director approves gift card purchases.

For DSS we identified and recommend one enhancement to the current process. That enhancement is to develop an inventory log as cards are received instead of creating the log as cards are disbursed. That enhancement will give the DSS accountant more visibility to the inventory throughout the tracking process. We do not suggest control enhancements for Public Health.

DSS Card Control Process

DSS has developed a system for managing its gift card program, including a revised policy that took effect January 2013. The policy calls for signatures and approvals and receipts throughout the gift card cycle. Administrators, supervisors, social workers, and card recipients have responsibility for card usage accountability through this process. We believe DSS's controls to account for gift card purchases, use, and accountability throughout the cycle is adequate based upon our review of 90 individual transactions.

Our initial review method was designed to review a randomly selected sample of card purchases. That technique required us to review 995 card transactions. However, as we reviewed the cases, we found that the process for accounting for them were adequate to identify each card, who it was provided to, and the purpose for which the card was used. Upon review of 90 cases we believe we had sufficient consistency in the review results to discontinue our review since we did not identify variables that would lead us to believe that the remaining cases would differ from those we had reviewed.

For each use category, we found the control steps to be as follows:

- Request from designated employees communicating need for authorization to purchase a card along with appropriate supervisory signatures,
- Finance Department Director approval and authorization to use a County Procurement card to purchase gift cards, food cards, or bus passes,
- Purchase of card and maintenance of receipts for the gift card purchase ,
- Log of individual cards showing disbursement including to whom and when disbursed,
- Signatures by designated employee for receipt of gift card and signature of case worker,
- Signature of customer that received the card,
- Receipts from recipients showing the money was spent for the intended purpose (initial clothing voucher program for foster parents).

These controls worked in that we were able to account for all the transactions in our sample. However, one area of the process should be enhanced. The recommended enhancement is that as cards are purchased and come into DSS inventory, a master spread sheet or control log should be

completed at that time. Currently, logs are not started until cards are provided to the designated person in each unit that manages distribution to caseworkers. Populating the control or master log as cards are purchased provides a greater level of control over card inventories. We discussed this with DSS's Accounting Manager who agreed that this process would enhance controls over the process. DSS's Director had designated staff to begin the process.

Public Health Card Control Process

Public Health's system for tracking card purchases and disbursement is sound. Its system requires signatures at all levels of transactions as well as authorization to use the funds from the Finance Director.

We reviewed a random sample 294 of 1252 card transactions used in Public Health programs. For all card transactions, we found that card purchases and disbursements were tracked throughout the process. The process required authorization and receipt signatures for all transactions and this process was adhered to for all cases we review in accordance with policy and procedures. We also found that all card transactions were appropriate in accordance with stated program rules and purposes. As such, we did not make recommendations for enhancements to gift card controls.

Recommendation

To enhance DSS controls over gift cards purchases, we believe the card inventory should be accounted for at the time of purchase and receipt. This provides a complete inventory the cards at the time of purchase. We recommend that cards be logged into the control spreadsheet or master log at the time they are purchased instead of waiting until they are provided to users. The procedures manual should be updated to reflect this revision.

Appendix 1: DSS Response



Social Services

Social Services Board

Tara Fikes, DPA, Chair
Newman Aguiar, Vice Chair
Helen Berry
Wendy Jacobs, Commissioner
Jane Volland

Michael A. Becketts, MSW, MS
Director

September 3, 2013

Response to Audit Recommendation

Dear Richard,

We concur with the audit recommendation designed to enhance DSS controls over gift cards purchases. DSS will account for all gift cards at the time of purchase and receipt. All gift cards will be logged into a control spreadsheet at the time they are purchased. We will revise our policy to include this process by October 1, 2013. Christy McMillan and Antonia Pedroza will ensure that revisions, spreadsheets, and implementation occur by the date above.

Michael Becketts




DSS Director

Appendix 2: Public Health Response



Public Health

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To: Richard Edwards, Internal Audit Director
From: Gayle B. Harris, Public Health Director 
Date: September 3, 2013
Subject: Audit of Gift Card Purchases and Usage

I have reviewed the findings of the internal audit of gift card purchases and usage within our department. I am in agreement with your findings. I will share the findings with staff to reinforce the value of having controls in place to appropriately account for gift card purchases and disbursements made in accordance with program parameters.

Thank you for completing this project in a timely manner.

Human Services Building | 414 East Main Street, Durham, North Carolina 27701
(919) 560-7600 | Fax (919) 560-7652 | dconc.gov/publichealth
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