

County of Solano
Office of the Auditor-Controller



**Gift Card Program
Internal Control Review
As of February 10, 2023**

Report Date: August 16, 2023

**Auditor-Controller: Phyllis S. Taynton, CPA
Deputy Auditor-Controller: Matthew Fong
Auditor: Katie Golemis**

Gift Card Program Review
Internal Control Review as of 02/10/2023

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INTRODUCTION

In accordance with the Internal Audit Division Fiscal Year 2022/23 Audit Plan, we completed an internal control review of the Gift Card Program. We conducted our review in accordance with the *International Standards for the Professional Practice of Internal Auditing* as developed by the Institute of Internal Auditors.

OBJECTIVE

The objective of our review was to evaluate the adequacy of internal controls in the Gift Card Program to ensure proper accountability, segregation of duties, reconciliation, and physical security.

BACKGROUND

The Gift Card Program is a countywide program allowing departments to issue gift cards and travel vouchers to meet program goals. Gift cards are issued strictly to clients¹ for the sole purpose of meeting program objectives. The Auditor-Controller established written policies and procedures to administer the Countywide Gift Card Program.

Gift card imprest accounts can be established for one of the following purposes:

1. Transportation Needs. Ensuring all patients with transportation needs are receiving the appropriate client assistance.
2. Behavioral Goals. Used in the behavior modification program to buy supplies as incentives for behavioral goals.
3. Purchase of Food. Used in providing food to individuals who have not received public assistance and who cannot be referred to the Salvation Army via a food referral.

The following departments had open gift card imprest accounts:

1. County Administrator's Office for the Solano Family Justice Center
2. Public Defender
3. Health and Social Services
4. Probation

To participate in the Gift Card Program, the department must submit a "Request for Gift Card Imprest Account" form to the Auditor-Controller. The request includes information such as purpose, budget unit and sub-object, gift card vendor name, amount of each individual card, total amount requested and the custodian's name and title.

¹ County policy specifically prohibits issuance of gift cards to employees through this program.

Custodians are employees who oversee, maintain, and safeguard the gift cards. Custodians must treat the gift cards like cash and apply the same level of controls. The custodian must acknowledge in writing his/her understanding and acceptance of the responsibilities associated with the control over the gift cards.

Participating departments are expected to maintain internal controls that ensure the safekeeping, distribution, and reconciliation of their gift cards. Controls include pre-authorization to disburse a gift card from someone other than the custodian, a record of gift cards issued, and a reconciliation of gift cards issued to the remaining balance before the account is replenished.

SCOPE

Our review was limited to the processes and procedures for departments with open gift card imprest accounts as of February 10, 2023. In performing the review, we considered and tested internal controls significant to the audit objective.

In any system of internal controls inherent limitations exist which may result in errors or irregularities occurring and not being detected. Limitations may include, but are not limited to, resource constraints, management override, and circumvention of internal controls by collusion. Accordingly, our review would not necessarily disclose all weaknesses.

METHODOLOGY

- We reviewed the listing of gift card accounts in the County's accounting database, Finance Enterprise and interviewed the Auditor-Controller (ACO) Accounting Supervisor to determine if the list of gift card accounts was complete.
- We sent questionnaires and conducted interviews with staff at each participating department.
- We received a walkthrough of existing processes and reviewed supporting documents to confirm application of key controls.

RESULTS

Based on our review, we determined the following:

County Administrator's Office and Public Defender

Based on responses to the questionnaire, the County Administrator's Office and Public Defender were not using the gift card imprest accounts. As a result of our review the two departments worked with the General Accounting Division of the Auditor-Controller's Office to close the accounts.

Health and Social Services (H&SS)

H&SS conducted an internal review of their gift card imprest accounts between November 2022 and February 2023. The reviews included confirmation that reconciliations were occurring, custodians were aware of their responsibilities, physical security of the cards was maintained, and backup custodians were designated.

The H&SS internal review demonstrated management oversight of the program and included follow-up for areas requiring corrective action.

We reviewed the accounts included in H&SS' internal review to ensure completeness and, on a sample basis, confirmed corrective actions occurred.

Probation

Probation has an open gift card account that is not being used. The account was reduced from \$540 to a zero balance in September 2022.

In July 2021, Probation began purchasing gift cards through a contracted vendor, separate from the County's Gift Card Program. This transition coupled with a change in personnel led to inconsistent and incomplete records. As a result, we were not able to trace transactions to documents supporting the distribution of these gift cards.

Probation has an existing policy, consistent with the County's Gift Card Policy, which requires them to maintain consistent and complete records to ensure accountability and to reduce the risk that gift cards are used inappropriately. However, Probation is not in compliance with its gift card policy.

Recommendation:

1. Probation should use the County's Gift Card Program and ensure their existing policy² is followed to maintain accountability for gift cards.

² Policy Number 400 Establishment and Monitoring of Gift Cards, Vouchers and Bus Passes

2. Probation should replenish their existing gift card imprest account and ensure consistency with the existing policies and procedures.

Management Response:

See Attachment A

Sheriff's Office:

Our review was focused on the internal controls in place for departments participating in the Gift Card Program. While our tests were not designed to determine whether departments purchased and issued gift cards to clients without participating in the Gift Card Program, we observed that the Sheriff's Office purchased gift cards for clients outside of the Gift Card Program.

The County established the Gift Card Policies and Procedures to maintain accountability of these cards and to minimize the risk that gift cards are used inappropriately. By purchasing and issuing gift cards outside of the Gift Card Program, the Sheriff's Office has not established accountability over these gift cards and increased the risk that gift cards could be used inappropriately.

Recommendation:

The Sheriff's Office should establish a gift card imprest account and maintain the account consistent with established County policies and procedures.

Management Response:

The Sheriff's Office agrees with the recommendation and will establish a gift card imprest account and maintain the account consistent with established County policies and procedures.



COUNTY OF SOLANO

PROBATION DEPARTMENT

Christopher Hansen
Chief Probation Officer

Dean J. Farrah
Chief Deputy Probation Officer

Date: October 2, 2023

To: Matthew Fong
Deputy Auditor-Controller
Internal Audit Services

From: Christopher Hansen, Chief Probation Officer

Cc: Dean Farrah, Chief Deputy Probation Officer
Jennivive Venzon, Director of Administrative Services
Phyllis Taynton, Auditor-Controller

Subject: Response to Auditor's Recommendations - Gift Card Program Compliance

Thank you for conducting the recent review of the Gift Card Program and providing valuable insights into the Department's process. I appreciate your effort in identifying the issue regarding the Department's adherence to the Gift Card Policy. I understand the importance of complying with internal policies and maintaining proper controls within the Department.

After carefully reviewing the audit findings, I have already taken immediate action to address this matter. I am committed to rectifying any deficiencies and implementing the necessary changes to ensure full compliance with the County's Gift Card Policy going forward.

Please see the Department's detailed management response below.

Recommendations:

1. Probation should use the County's Gift Card Program and ensure their existing policy is followed to maintain accountability for gift cards.
2. Probation should replenish their existing gift card imprest account and ensure consistency with the existing policies and procedures.

MAIN OFFICE []
475 Union Avenue
Fairfield, CA 94533
Tel: (707) 784-7600
Fax: (707) 784-7605

JUVENILE DETENTION FACILITY []
740 Beck Avenue
Fairfield, CA 94533
Tel: (707) 784-6570
Fax: (707) 784-2428

VALLEJO OFFICE []
321 Tuolumne Street
2nd Floor
Vallejo, CA 94590
Tel: (707) 553-5531
Fax: (707) 553-5021

CPC – SOUTH COUNTY []
355 Tuolumne Street
1st Floor
Vallejo, CA 94590
Tel: (707) 553-5253
Fax: (707) 647-2050

Youth Services Center []
709 Beck Avenue
Fairfield, CA 94533
Tel: (707) 784-6531
Fax: (707) 784-7605

Department's Response:

The Department has agreed with the Auditor's recommendations and have taken the following steps to address the findings:

1. Reinforce Policy Awareness: Fiscal staff have launched a campaign to reinforce awareness of the Gift Card Policy among all employees involved in gift card transactions. This includes communication through email, staff meetings, and training sessions to ensure that all staff are well-informed regarding the Policy's key provisions.
2. Training and Education: Fiscal staff will provide additional training and educational resources to employees. This training will cover the Policy's requirements, procedures for issuing and requesting gift cards, and the importance of strict compliance.
3. Monitoring and Enforcement: Fiscal staff will establish a more rigorous monitoring and enforcement mechanism to ensure ongoing adherence to the Gift Card Policy. This will include monthly reconciliation and audits for the first three months and quarterly reconciliation thereafter.
4. Replenishment of Imprest Accounts: Fiscal staff are currently working with the Auditor's Office to establish the Department's gift card imprest account in accordance with the Policy.

Corrective action will be completed by October 31, 2023.

Person in charge of corrective action: Jennivive Venzon, Director of Administrative Services

I am committed to addressing these findings comprehensively and making the necessary improvements to strengthen the Department's internal controls and adherence to the Gift Card Policy.

I appreciate your role in helping the Department to identify areas for improvement and ensure that the Department maintains the highest standards of compliance. The Department's fiscal staff will keep you apprised of the Department's progress in implementing these corrective actions and I open to any further recommendations you may have.