

CITY AUDITOR'S OFFICE



AUDIT OF FINANCE DEPARTMENT GIFT CARD POLICY AND PROCEDURES

Report FI009-2223-03

September 20, 2022

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

TABLE OF CONTENTS

BACKGROUND	1
OBJECTIVES	1
SCOPE AND METHODOLOGY	1
FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS	2
1. Improvements Needed to Gift Card Policy	4
2. Lack of Appropriate Segregation of Duties	11
3. Improvements Needed in Policy Compliance Monitoring.....	12
4. Improvements Needed in Policy Training.....	13
Exhibit A – Gift Card Purchase Request Form	15
Exhibit B – Gift Card Inventory & Disbursement Log.....	16
MANAGEMENT RESPONSE	17

AUDIT OF FINANCE DEPARTMENT GIFT CARD POLICY AND PROCEDURES

Report FI009-2122-03

BACKGROUND

In 2017, the city adopted the Gift Card Policy/Procedure FN212 (gift card policy). This policy requires that department staff obtain approval for gift card purchases from their department director or manager and a Finance Department (Finance) manager using the Gift Card Purchase Request Form (purchase request form - see Exhibit A). In addition, gift card purchases and distributions must be recorded on the Gift Card Inventory & Disbursement Log (gift card log - see Exhibit B). The policy also requires that gift cards be properly secured and that management regularly inspect and audit gift card records and unissued gift cards.

OBJECTIVES

Our office audited gift card policy compliance by the following city departments:

- Municipal Court (Report No. MC006-2122-03)
- Parks and Recreation (Report No. PR015-2122-04)
- Neighborhood Services (Report No. CS006-2223-01)
- Youth Development and Social Initiatives (Report No. YD006-2223-02)

The objectives in completing these department audits were as follows:

1. Verify compliance with the city's gift card policies and procedures.
2. Determine whether internal controls are adequately designed and operating effectively to sufficiently mitigate the risk of gift card fraud.

While completing these audits, we noted deficiencies and areas of improvement needed in the gift card policy and in the compliance monitoring by Finance. These findings are identified in this audit which had the following objectives:

- Evaluate the adequacy of the gift card policy.
- Evaluate the adequacy of the gift card policy compliance monitoring being performed by Finance.

SCOPE AND METHODOLOGY

The scope of the audit was limited to gift card purchase transactions during the period from July 1, 2019 through June 30, 2021 in the following departments:

- Municipal Court
- Parks and Recreation
- Neighborhood Services
- Youth Development and Social Initiatives

The scope of our work on internal control was limited to the controls within the context of the audit objectives and the scope of the audit. The audit methodology included:

- Conducting interviews with city staff
- Reviewing relevant regulations, standards, and city policies
- Completion of gift card controls and policy compliance audits in the aforementioned city departments

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The last fieldwork date of this audit was August 11, 2022.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The results of our audit procedures to each of our audit objectives are found below:

Objective 1:

Evaluate the adequacy of the gift card policy.

Conclusion:

- Deficiencies in the gift card policy were identified. (See Finding #1)
- The duties outlined within the gift card policy are not adequately segregated among multiple employees. (See Finding #2)

Objective 2:

Evaluate the adequacy of the gift card policy compliance monitoring being performed by Finance.

Conclusion:

- The findings within our department audits of gift card controls and policy compliance could have been identified by Finance with more frequent and thorough department audits. Finance has not documented their procedures for monitoring and auditing department compliance with the gift card policy. (See Finding #3)
- Information on gift card transactions is not readily available for monitoring purposes. (See Finding #3)
- City staff are not adequately trained on the gift card policy as evidenced by the areas of non-compliance identified in our department gift card audits. (See Finding #4)

Audit of Finance Department
Gift Card Policy and Procedures
FI009-2122-03
September 20, 2022

Contributors to this report included:

Radford K. Snelding, CPA, CIA, CFE
City Auditor

Bryan L. Smith, CPA, CFE
Internal Audit Section Manager

Nancy Cardoza
Senior Internal Auditor

Louis Hlad, CISA
Senior IT Auditor

1. Improvements Needed to Gift Card Policy

Criteria

Governmental standards for internal controls state the following:

Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, documents policies in the appropriate level of detail to allow management to effectively monitor the control activity. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities. (GAO-14-704G 12.03)

Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. (GAO-14-704G 12.05)

Management should remediate identified internal control deficiencies on a timely basis. (GAO-14-704G 17.06)

City policy CM601 *Adding, Revising and Deleting Policies/Procedures* states the following:

A citywide policy/procedure is created to assist city employees in doing their job or set a city standard for a particular activity that impacts all or most departments. Additionally, a citywide policy sets up general rules, policies and procedures that will assist employees in doing their job or outlines guidelines and expectations for what is permissible and not permissible.

Condition

The following table includes excerpts from the Gift Card Policy/Procedure FN212 (policy) along with deficiencies in the gift card policy and comments based on the results of our department gift card policy compliance audits.

GIFT CARD POLICY (FN212) EXCERPTS	POLICY DEFICIENCIES AND AUDIT COMMENTS
APPROVALS AND PURCHASES	
City employees may purchase gift cards on a case-by-case basis provided the following conditions are met: Department director or division manager has determined a gift card purchase is necessary for official city business. (1a)	1. The policy does not address how far in advance of their intended use that gift cards can be requested and purchased. It's not clear if purchase request forms ever expire. In our department audits, we identified gift cards approved and

▪ Approval has been granted by original signatures from the department director or division manager and the Finance Department using the <i>Gift Card Purchase Request</i> form. (1b) ▪ Payment for gift cards may only be made with a city issued procurement card (P-Card) in accordance with <i>FN605 Procurement Card Policy/Procedure</i>. (1c)	purchased more than a year before being distributed. 2. The policy does not address what should happen if a gift card purchase request form is submitted and then subsequently the cards are no longer needed or the number, type, or amount of the cards needed or purchased changes. The policy does not address how differences from the original purchase request would need to be documented and whether a corrected purchase request form would need to be submitted to department management and Finance for approval.
The P-Card holder/requestor completes a <i>Gift Card Purchase Request</i> form. (1) The P-Card holder/requestor submits the fully completed form to the department director or division manager for original signature. (2) The department director or division manager verifies that the request for gift card purchase is for legitimate city business. (3) The department director or division manager signs and returns the form to the P-Card holder/requestor. (4) The P-Card holder/requestor delivers the completed and signed Gift Card Purchase Request form to Finance for approval. (5)	3. The purchase request form does not require the signature of the employee requesting the gift card purchase, only their name. 4. The purchase request form does not require identification of the date when the gift cards will be distributed. 5. The purchase request form appears to allow use of a single form for gift cards for multiple purposes or events; however, the policy does not address this.
Finance manager reviews the signed <i>Gift Card Purchase Request Form</i>. (6) Finance manager authorizes or rejects the purchase and advises the P-Card holder/requestor upon return of the form. (7)	6. The purchase request form does not require Finance to date their approval. Without this date, one cannot determine whether approval was obtained prior to the purchase of the gift cards. 7. During our department audits, city staff stated that there were sometimes delays

A signature from a Finance Department manager is required before purchase of gift cards. (Attachment 1 – verbiage on purchase request form)	in getting purchase request forms approved by Finance before the gift cards were needed. Does Finance need to be involved in the approval of all gift card purchases considering department directors or division managers are approving these purchases and Finance staff is reviewing p-card documentation submittals and performing audits of department compliance with the gift card policy?
The original request form must be included with the P-Card reconciliation paperwork for the period in which gift cards were purchased. (8) Departments are required to retain this log for seven years. This log is subject to audit at any time. (Footnote to Attachment 2 Gift Card Inventory & Disbursement Log)	8. An original request form submitted with the p-card reconciliation paperwork may be destroyed before the corresponding gift card log since the p-card documentation retention period (approximately 2 years) is much shorter than the required gift card log retention period (7 years).
Gift cards given to the public must be part of a raffle, award, or prize. (4)	9. The policy does not adequately define what qualifies as a gift card. For example: a. Does it include tickets, passes, or gift certificates? b. Does it include gift cards that are purchased for use in a department's operations (e.g. movie passes purchased for a community center activity, annual gaming subscription for use on a community center's computers)? c. Does it include donated gift cards? d. Are there any gift cards that are not allowed to be purchased? 10. This policy limitation does not take into consideration the current practice of gift cards being given by Neighborhood Services to help homeless individuals or to individuals participating in the Municipal Court's specialty court remediation programs.

	11. The policy does not address whether the purchase of gift cards with activation fees are appropriate and whether this additional cost must be identified on the gift card purchase request form.
SECURITY OF GIFT CARDS	
The P-Card holder/requestor maintains control and provides physical security for unissued gift cards. (11) Gift cards are to be handled the same as cash and secured under lock and key by the P-Card holder until issued. (3a)	12. The policy does not take into consideration the situation where gift cards are purchased by a p-card holder and then given to other city staff for distribution as is currently done by the Municipal Court. 13. The policy does not adequately address the storage and security requirements for gift cards.
MAINTENANCE OF GIFT CARD LOG	
Each department purchasing gift cards is responsible for maintaining a <i>Gift Card Inventory & Disbursement Log</i>, which is used as an inventory for the gift cards and to track the distribution of the gift cards. (2) Physical inventory of gift cards must be logged using the <i>Gift Card Inventory & Disbursement Log</i>. (3b)	14. The gift card log does not take into consideration the situation where the p-card holder who purchased the gift cards subsequently gives those cards to another employee to act as a custodian and distributor of the cards. The gift card log only requires identification of the p-card holder. 15. The gift card log lacks a date box for recording the gift card purchase date. 16. The required gift card log is a manual form. The information recorded on the logs is not easily accessible for research and monitoring purposes. For this reason, the city's Municipal Court chose to track gift cards on an electronic spreadsheet in addition to using the manual logs. 17. The gift card log does not require the recording of any information about the purchase request form giving approval

	for the purchase such as the department or Finance approval date. Without this information, it is difficult to determine whether the purchase was properly approved.
When the gift cards are purchased, the P-Card holder (or employee who is responsible for maintaining gift card inventory) enters the card numbers, type of card and amount on the <i>Gift Card Inventory & Disbursement Log</i> to update the department's gift card physical inventory. (9) It is the city's fiscal responsibility to document who distributed and received the cards. If the recipient is a city employee: ▪ The P-Card holder or city employee distributing the card fills in the department's <i>Gift Card Inventory & Disbursement Log</i> with the date of issue in the Date box and purpose in the Event/Purpose box. ▪ The city employee receiving the gift card enters the employee name and 6-digit employee number in the Employee box and signs the log in the Employee Signature box. (10a)	18. It is unclear which date should be recorded in the date box on the gift card log. Is it the gift card purchase date, gift card issue date, the date the gift cards were issued to a distributor, or the date of the event? 19. The gift card log does not have a space for identification of who provided the gift cards to employees. This may be different than the p-card holder identified at the top of the gift card log.
It is the city's fiscal responsibility to document who distributed and received the cards. If the gift cards are for a public event: ▪ The P-Card holder or city employee responsible for maintaining gift card inventory will update the <i>Gift Card Inventory & Disbursement Log</i> by entering the date the cards were issued to the distributor in the Date box, and the name of the event in the Event/Purpose box for each card distributed. ▪ The distributor prints his/her name in the Distributor box and signs in the	20. The term "Distributor" is not clearly defined in the policy or on the gift card log. In our department audits, we found confusion by city staff on who the distributor is. Is it the employee who the gift cards were given to in preparation for an event or is it the actual employee who gave out the cards at an event? 21. The gift card log does not have a place to record the names of non-employee recipients of gift cards and the policy does not require that this information be collected. However, the policy suggests

Distributor Signature box for each card distributed. (10b)	that the name of non-employees receiving gift cards is needed to comply with section 10d of the gift card policy which states that “no individual recipient (non-employee) may receive more than \$600 in gift cards in a calendar year to avoid issuing a 1099.” How would a department know if this was applicable if they are not required to track the names of non-employees receiving gift cards?
Departments are required to retain this log for seven years. This log is subject to audit at any time. (Footnote to Attachment 2 Gift Card Inventory & Disbursement Log)	22. The policy does not address the retention requirement for the gift card logs in the body of the policy. It is only mentioned in small print at the bottom of the example gift log in Attachment 2.
INFORMATION GATHERED FOR FINANCE	
No individual recipient (non-employee) may receive more than \$600 in gift cards in a calendar year to avoid issuing a 1099. (10d)	23. The gift card policy does not require the recording of the names of non-employee recipients of gift cards on the gift card logs, so there is no process in place to determine whether a non-employee has received more than \$600 in gift cards in a calendar year. In addition, the policy does not address how this information should be communicated to Finance so a 1099 can be issued.
DEPARTMENT MANAGEMENT OVERSIGHT	
Directors and/or division managers must regularly inspect and audit the <i>Gift Card Inventory and Disbursement Log</i> and inventory of unissued gift cards to ensure compliance with this policy and procedure. (12)	24. The policy does not provide guidance to directors and division managers on how to appropriately conduct the required inspections and audits. 25. The policy does not address how to properly complete a reconciliation between gift card purchases, logs, distributions, and unissued gift cards. 26. The policy does not identify what documentation should be created and

	retained showing evidence of these inspections and audits. 27. The policy does not address when and to whom the results of these inspections and audits need to be reported. 28. The policy does not address what management should be looking for when observing unissued gift cards (e.g., cards properly secured, pin numbers still hidden, etc.).
FINANCE OVERSIGHT AND ENFORCEMENT	
The Finance Department and/or City Auditor may inspect the physical inventory and review the security of gift cards at any time with or without notice. (3c) The requesting department must retain the <i>Gift Card Inventory & Disbursement Log</i>, and it is subject to audit at any time by the Finance Department and/or City Auditor. (13)	29. The policy does not clearly identify all of the gift card documentation that is subject to audit by Finance, whether they should be originals or copies, and how long these documents should be retained by the departments.

Cause

- The gift card policy when originally written did not take into consideration the varied ways in which city departments would be purchasing, using, and distributing gift cards. The policy has not been updated to reflect current practices by city departments.

Effect

- Inconsistencies among city staff in complying with the gift card policy.
- Non-compliance with gift card policy.
- Potential for theft of gift cards without detection.

Recommendation

- 1.1 Finance management should review and evaluate the recommended policy improvements identified in this finding and update the gift card policy to provide improved direction to city staff. In addition, the Gift Card Purchase Request Form and Gift Card Inventory and Distribution Log should be updated as deemed appropriate.

2. Lack of Appropriate Segregation of Duties

Criteria

Governmental standards for internal controls state the following:

10.03 Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event. (GAO-14-704G 10.03)

10.12 Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk. (GAO-14-704G 10.12)

10.13 Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. (GAO-14-704G 10.13)

Condition

The city's gift card policy does not adequately segregate the various responsibilities for gift cards among different employees. The policy inappropriately allows for one person to perform all of the following duties:

- Purchase of gift cards
- Recording of the purchase and distribution of gift cards
- Custody of gift cards
- Distribution of gift cards

Cause

- Management has not adequately addressed appropriate segregation of duties within the gift card policy.

Effect

- Risk of gift card fraud and monetary loss.

Recommendation

- 2.1 Finance management should update the city's gift card policy to address the appropriate segregation of duties that must exist in the approval, purchasing, recording, custody, and distribution of gift cards.

3. Improvements Needed in Policy Compliance Monitoring

Criteria

Governmental standards for internal controls state the following:

Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. (GAO-14-704G 16.01)

Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues. Management uses this evaluation to determine the effectiveness of the internal control system. (GAO-14-704G 16.09)

The city's gift card policy states the following:

The Finance Department and/or City Auditor may inspect the physical inventory and review the security of gift cards at any time with or without notice. (3c)

Condition

The findings within our department audits of gift card controls and policy compliance could have been identified by Finance with more frequent and thorough department audits. Finance has not documented their procedures for monitoring and auditing department compliance with the gift card policy.

Information on gift card transactions is not readily available for monitoring purposes. Gift card purchases must be identified through queries of the description field using the word "gift" or "gift card" within the p-card system. If the description of a p-card purchase that included a gift card failed to include the word "gift card", the transaction may not be identified without reviewing actual p-card purchase receipts included in the p-card documentation submittals.

The gift card policy states that Finance and the City Auditor may inspect the physical inventory and review the security of gift cards at any time with or without notice. This implies that the City Auditor's Office has responsibility for enforcement of the gift card policy similar to that of Finance, which it does not. While the City Auditor's Office may periodically audit department compliance with the gift card policy, primary responsibility for oversight and enforcement of the gift card policy is with department management and Finance. The City Auditor's Office prepares audit plans independent of Finance and is not a primary internal control to ensure department compliance with the gift card policy.

Cause

- Lack of a formalized and systematic program for monitoring department compliance with the gift card policy.

- Gift card purchases not readily accessible from the p-card system.

Effect

- Non-compliance with gift card policy by departments.
- Risk of monetary loss.

Recommendations

- 3.1 Finance management should document and implement their procedures for monitoring and auditing department compliance with the gift card policy.
- 3.2 Finance management should require p-card holders and/or reconcilers to include the word “gift card” in the description field when gift cards are purchased. This could be added to the city’s p-card policy (FN605). In addition, Finance management should evaluate whether gift card purchases could be flagged in the p-card system for easier identification and monitoring of gift cards.
- 3.3 Finance management should consider removing reference to the City Auditor’s Office from the gift card policy.

4. Improvements Needed in Policy Training

Criteria

Governmental standards for internal controls state the following:

Effective management of an entity’s workforce, its human capital, is essential to achieving results and an important part of internal control. Only when the right personnel for the job are on board and are provided the right training, tools, structure, incentives, and responsibilities is operational success possible. Management continually assesses the knowledge, skills, and ability needs of the entity so that the entity is able to obtain a workforce that has the required knowledge, skills, and abilities to achieve organizational goals. (GAO-14-704G 10.03)

Condition

During our department audits, we identified various issues of non-compliance with the gift card policy due to a lack of training of city staff as follows:

- While the gift card policy states that approval for gift card purchases must be obtained using the required purchase request form prior to the purchase of gift cards, we found gift card purchases made without completed approval forms and gift card purchases made prior to receiving the required approvals.

- While the gift card policy states that gift card logs are to be used, we found that city staff are not always using logs.
- While the gift card policy states that gift cards are to be recorded on a gift card log when purchased, many gift cards were not recorded on a log until they were distributed.
- The gift card policy states that “if the *Gift Card Inventory & Disbursement Log* contains entries for an employee recipient, a copy of the log must be scanned and emailed to Payroll by the end of the pay period.” The dollar amount of a gift cards issued to employees is considered taxable income per IRS Code Section 102. In our department gift card audits, we found that gift card log copies where gift cards were given to employees were not being scanned and emailed to Payroll.
- The gift card policy states that “Directors and/or division managers must regularly inspect and audit the *Gift Card Inventory and Disbursement Log* and inventory of unissued gift cards to ensure compliance with this policy and procedure.” In our department gift card audits, we did not find any of the departments complying with this policy.

Cause

- Finance has not implemented a process for training city staff on the gift card policy.

Effect

- Non-compliance with gift card policy by departments.
- Risk of monetary loss.

Recommendation

- 4.1 Finance management should implement a process for educating and training the city staff on the gift card policy.

Exhibit A – Gift Card Purchase Request Form

 GIFT CARD PURCHASE REQUEST					
P-CARD HOLDER					
DEPARTMENT			DATE		
FIRST	MI	LAST			
This form must be completed by the requesting department, signed by the department director or a division manager, and then forwarded to Finance. A signature from a Finance Department manager is required before purchase of gift cards. Once approved by Finance this document will be returned to the requesting department. This original form must be included with the procurement card (P-Card) reconciliation paperwork for the period in which gift cards were purchased. Failure to complete this form and/or include it with P-Card reconciliation paperwork can result in a strike being issued to the P-Card holder.					
# CARDS	AMOUNT	TOTAL	PURPOSE	TYPE OF CARD	
x	=				
x	=				
x	=				
x	=				
GRAND TOTAL					
DEPARTMENT DIRECTOR/DIVISION MANAGER					
By my signature below I certify the above requested gift cards are intended for official and approved city of Las Vegas business interests. I further certify that I understand my department is required to secure these cards, and log when and to whom cards are issued using the Gift Card Log supplied by Finance. I understand this log is the responsibility of my department and it is to be maintained for no less than seven years and is subject to review/audit at any time.					
FIRST	MI	LAST			
SIGNATURE			DATE		
FOR FINANCE USE ONLY					
PRINT NAME					
SIGNATURE					

Exhibit B – Gift Card Inventory & Disbursement Log



GIFT CARD INVENTORY & DISBURSEMENT LOG

DEPARTMENT:

P-CARD HOLDER:

			Complete column if distributing to an employee.	Complete column if distributing at an event.
CARD NUMBER	TYPE	AMOUNT	EMPLOYEE INFORMATION EMPLOYEE (Print name) & CLV 6-DIGIT EMP # *	EVENT INFORMATION DISTRIBUTOR (Print name)
EVENT/PURPOSE		DATE	EMPLOYEE SIGNATURE	DISTRIBUTOR SIGNATURE
CARD NUMBER	TYPE	AMOUNT	EMPLOYEE INFORMATION EMPLOYEE (Print name) & CLV 6-DIGIT EMP # *	EVENT INFORMATION DISTRIBUTOR (Print name)
EVENT/PURPOSE		DATE	EMPLOYEE SIGNATURE	DISTRIBUTOR SIGNATURE
CARD NUMBER	TYPE	AMOUNT	EMPLOYEE INFORMATION EMPLOYEE (Print name) & CLV 6-DIGIT EMP # *	EVENT INFORMATION DISTRIBUTOR (Print name)
EVENT/PURPOSE		DATE	EMPLOYEE SIGNATURE	DISTRIBUTOR SIGNATURE
CARD NUMBER	TYPE	AMOUNT	EMPLOYEE INFORMATION EMPLOYEE (Print name) & CLV 6-DIGIT EMP # *	EVENT INFORMATION DISTRIBUTOR (Print name)
EVENT/PURPOSE		DATE	EMPLOYEE SIGNATURE	DISTRIBUTOR SIGNATURE
CARD NUMBER	TYPE	AMOUNT	EMPLOYEE INFORMATION EMPLOYEE (Print name) & CLV 6-DIGIT EMP # *	EVENT INFORMATION DISTRIBUTOR (Print name)
EVENT/PURPOSE		DATE	EMPLOYEE SIGNATURE	DISTRIBUTOR SIGNATURE

* REQUIRED FOR EMPLOYEE RECIPIENTS. GIFT CARDS ARE CONSIDERED TAXABLE INCOME PER IRS CODE SECTION 102.
 DEPARTMENTS ARE REQUIRED TO RETAIN THIS LOG FOR SEVEN YEARS. THIS LOG IS SUBJECT TO AUDIT AT ANY TIME.

MANAGEMENT RESPONSE

1. Improvements Needed to Gift Card Policy

- 1.1 Finance management should review and evaluate the recommended policy improvements identified in this finding and update the gift card policy to provide improved direction to city staff. In addition, the Gift Card Purchase Request Form and Gift Card Inventory and Distribution Log should be updated as deemed appropriate.

Management Action Plan:

Finance management will review and evaluate the recommended policy improvements identified by the end of September 2022, and meet with the appropriate stakeholders (municipal court, neighborhood services, parks and recreation and YDSI as they are the most frequent gift card purchasers) by the end of October 2022. Finance management will incorporate the departments' suggestions to revise the policy that ensures an adequate system of control over gift card related transactions without incurring unreasonable additional cost and effort by the end of February 2023.

The Gift Card Purchase Request Form and Gift Card Inventory and Distribution Log will be reviewed by finance management and the appropriate stakeholders by the end of October 2022. These forms will be updated, if deemed appropriate, separately from the policy by the end of November 2022.

Estimated Date of Completion: June 2023

2. Lack of Appropriate Segregation of Duties

- 2.1 Finance management should update the city's gift card policy to address the appropriate segregation of duties that must exist in the approval, purchasing, recording, custody, and distribution of gift cards.

Management Action Plan:

Finance management will incorporate the appropriate segregation of duties that must exist in the approval, purchasing, recording, custody, and distribution of gift cards at the same time the recommended policy improvements in item 1.1 are taken into account.

Estimated Date of Completion: June 2023

3. Improvements Needed in Policy Compliance Monitoring

- 3.1 Finance management should document and implement their procedures for monitoring and auditing department compliance with the gift card policy.

Management Action Plan:

Finance management will document and implement procedures for monitoring and auditing department compliance with the gift card policy at the same time the recommended policy improvements in items 1.1 and 2.1 are taken into account.

Estimated Date of Completion: June 2023

- 3.2 Finance management should require p-card holders and/or reconcilers to include the word “gift card” in the description field when gift cards are purchased. This could be added to the city’s p-card policy (FN605). In addition, Finance management should evaluate whether gift card purchases could be flagged in the p-card system for easier identification and monitoring of gift cards.

Management Action Plan:

Rather than require “gift card” to be added in the description, a new expense account code, 610322, has been set up in Oracle and the P-Card system. P-Card holders, reconcilers, administrators, and finance staff were instructed to use this new code via email on August 22, and it will be added to the policy when it is updated.

Estimated Date of Completion: August 2022

- 3.3 Finance management should consider removing reference to the City Auditor’s Office from the gift card policy.

Management Action Plan:

The reference to the City Auditor’s Office will be removed when the policy is updated.

Estimated Date of Completion: June 2023

4. Improvements Needed in Policy Training

- 4.1 Finance management should implement a process for educating and training the city staff on the gift card policy.

Management Action Plan:

Once the gift card policy has been revised and approved, Finance management will implement a process for educating and training the city staff on the gift card policy. In the meantime, while meeting with the stakeholders to revise the policy, the importance of securing and tracking the gift cards will be emphasized.

Estimated Date of Completion: August 2023