

CITY AUDITOR'S OFFICE



**AUDIT OF
LAS VEGAS MUNICIPAL COURT**

**GIFT CARD CONTROLS
AND POLICY COMPLIANCE**

Report MC006-2122-03

March 23, 2022

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CITY AUDITOR

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**AUDIT OF LAS VEGAS MUNICIPAL COURT
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BACKGROUND

The Las Vegas Municipal Court (Municipal Court) has jurisdiction over traffic violations, criminal misdemeanor offenses, municipal code ordinance infractions and civil ordinance actions that occur within city limits. The Municipal Court provides the following seven specialty courts which offer qualified offenders with rehabilitation programs:

- Women In Need of Change (WIN) Court
- DUI Court
- Veterans Court
- Habitual Offender Prevention & Education (HOPE) Court
- Young Offenders (YO) Court
- Mental Health Court
- Fresh Start Homeless Court

Each specialty court utilizes gift cards to provide participants with incentives and rewards for program accomplishments. Gift cards are also provided to help participants with necessities such as food, clothing, and transportation.

Departments purchasing gift cards must follow the city's Gift Card Policy/Procedure (FN212). Gift cards are considered cash equivalents and as such, each department purchasing gift cards is responsible for obtaining appropriate approvals from a department director or manager and from a Finance Department manager using the Gift Card Purchase Request Form (see Exhibit A), maintaining a Gift Card Inventory & Disbursement Log (see Exhibit B), and ensuring physical security of all purchased gift cards.

OBJECTIVES

Our objectives in completing this audit 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 and waste.

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. A total of 32 transactions were made during this period including the purchase of 400 gift cards totaling \$7,806.

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 Municipal Court management and staff
- Reviewing relevant regulations, standards, and city policies
- Analysis and detail testing of available data
- Observation of gift card inventory and reconciliation to records

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 February 28, 2022.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

Objective 1:

Verify compliance with the city's gift card policy and procedures.

Conclusion:

- Gift cards held by one of the specialty courts were not appropriately secured. See Finding #2.
- Incomplete gift card inventory logs were found. See Finding #3.
- Municipal court management does not regularly inspect and audit the gift card inventory and logs. See Finding #4.
- One of the specialty courts was found to be missing gift cards totaling \$100. See Finding #5.

Objective 2:

Determine whether internal controls are adequately designed and operating effectively to sufficiently mitigate the risk of gift card fraud and waste.

Conclusion:

The employee who oversees the Municipal Court's gift card purchases and distribution of these cards to the gift card custodians has developed a good process for tracking gift cards. However, the gift card custodians within the specialty courts are in need of additional training on how to appropriately comply with the city's gift card policy and procedures. See Finding #1.

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1. Need for Additional Training on Gift Card Policy

Criteria

The city's Gift Card Policy/Procedure (FN212) outlines the process to be followed in purchasing, handling, and issuing gift cards. Every city employee who handles gift cards should be aware of and receive training on the gift card policy and procedures.

Condition

The employee who oversees the gift card purchases and their distribution to the gift card custodians was familiar with the city's gift card policy and procedures. However, in our meetings with the specialty court gift card custodians, we found that most of them were not familiar with the city's gift card policy/procedure or were only vaguely aware of it.

Cause

- Inadequate training on the gift card policy and procedures.

Effect

- Non-compliance with the gift card policy and procedures.

Recommendation

- 1.1 Municipal Court management should provide additional training to gift card custodians on how to appropriately comply with the city's gift card policy and procedures.

2. Inadequate Gift Card Security

Criteria

- **Gift Card Policy/Procedure FN212 (excerpt)**
 - Once gift cards are purchased, employees are required to physically secure the gift cards as follows:
 - Gift cards are to be handled the same as cash and secured under lock and key by the P-Card holder until issued.
 - The p-card holder/requester maintains control and provides physical security for unissued gift cards.

Condition

The City Auditor's Office met with the Municipal Court gift card custodians to discuss the physical security of gift cards. We noted most specialty courts secure their gift cards in locked cabinets or drawers where access to keys is restricted to only the gift card custodian or direct supervisor. However, one of the specialty court gift card custodians was not aware that gift cards should be secured under lock and key. As such, their gift cards were in an unsecured cabinet.

Cause

- Gift card custodians are not all aware of the gift card security requirements within the gift card policy.

Effect

- Non-compliance with gift card policies and procedures.
- Increased risk of theft.

Recommendation

- 2.1 Municipal Court management should instruct gift card custodians to secure gift cards under lock and key until issued and ensure key access is restricted. Management should periodically verify that custodians are properly securing their gift cards.

3. Incomplete Gift Card Logs

Criteria

- **Gift Card Policy/Procedure FN212 (excerpt)**
 - Each department purchasing gift cards is responsible for maintaining a *Gift Card Inventory & Disbursement Log*, which is used as an inventory for the gift cards and to track the distribution of the gift cards.
 - 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 *Gift Card Inventory & Disbursement Log* 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 *Distributor Signature* box for each card distributed.

Condition

According to policy, the Municipal Court is required to use a form known as the Gift Card Inventory & Disbursement Log (see Exhibit B) to record all gift card purchases and distributions. We examined the gift card logs for purchases made from July 1, 2019 through June 30, 2021 (400 gift cards purchased in 32 transactions). A total of 142 of these cards were distributed during the period. We examined the logs completed for these gift cards to verify whether all required distribution information was documented. We noted the following:

- 71 of the 142 documented gift cards were missing distributor signatures.
- 21 of the 142 documented gift cards were missing a description of the event or the purpose for which the cards were distributed or the distribution date.

Cause

- Inadequate training on the gift card policy and procedures.
- Lack of management review of the completeness of the gift card logs.

Effect

- Non-compliance with the gift card policy and procedure.
- Incomplete gift card logs.

Recommendations

- 3.1 Municipal Court management should provide additional training to gift card custodians on the proper way to complete the gift card logs when distributing gift cards.
- 3.2 Municipal Court management should verify compliance with the gift card policy/procedure by periodically reviewing the completed gift card logs.

4. Inadequate Management Review of Gift Card Inventory

Criteria

- **Gift Card Policy/Procedure FN212 (excerpt)**
 - 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.

Condition

The employee who oversees the purchase of all gift cards for the Municipal Court records each gift card purchased on a blank gift card log which is subsequently given to the gift card custodian of the respective specialty court that requested the gift cards. This employee tracks all gift cards purchased and to which specialty court they are given on a spreadsheet. Annually, this employee performs a count of the gift cards being held by the custodians and reconciles the count to her spreadsheet. However, Municipal Court management does not participate in this count or regularly perform their own inspection and audit of the unissued gift cards and logs as required by policy.

Cause

- Management was not aware of this requirement and relied on the procedures being performed by the gift card purchaser.

Effect

- Non-compliance with the city's gift card policy and procedures.

Recommendation

- 4.1 Municipal Court management should implement procedures requiring the director and/or division managers to periodically perform independent inspections and audits of the unissued gift cards and logs in accordance with policy.

5. Missing Gift Cards

Criteria

- **Gift Card Policy/Procedure FN212 (excerpt)**
 - Each department purchasing gift cards is responsible for maintaining a *Gift Card Inventory & Disbursement Log*.
 - Once gift cards are purchased, employees are required to physically secure the gift cards as follows:
 - Gift cards are to be handled the same as cash and secured under lock and key by the P-Card holder until issued;

Condition

Our audit procedures included observing and documenting all gift cards being held by the specialty court custodians and determining whether each of the courts had the appropriate number and type of gift cards on hand based on gift card purchase and distribution records. However, one of the specialty courts was found to be missing four \$25 Uber gift cards. This specialty court's gift card custodian informed us that the gift cards had been lost during their recent move from the Regional Justice Center to the new Municipal Court building. The custodian believes they will eventually be found in boxes yet to be unpacked.

Cause

- Inadequate safeguarding of gift cards during move.

Effect

- Missing gift cards.

Recommendation

- 5.1 Municipal Court management should locate the missing gift cards or report them missing to the Finance Department.

Exhibit A – Gift Card Purchase Request Form


				
GIFT CARD PURCHASE REQUEST				
P-CARD HOLDER				
DEPARTMENT		DATE		
<input style="width: 100%;" type="text"/>		<input style="width: 100%;" type="text"/>		
FIRST	MI	LAST		
<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>		
<p>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.</p>				
# CARDS	AMOUNT	TOTAL	PURPOSE	TYPE OF CARD
<input style="width: 50px;" type="text"/>	x <input style="width: 50px;" type="text"/>	= <input style="width: 50px;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
<input style="width: 50px;" type="text"/>	x <input style="width: 50px;" type="text"/>	= <input style="width: 50px;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
<input style="width: 50px;" type="text"/>	x <input style="width: 50px;" type="text"/>	= <input style="width: 50px;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
<input style="width: 50px;" type="text"/>	x <input style="width: 50px;" type="text"/>	= <input style="width: 50px;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
GRAND TOTAL		<input style="width: 50px;" type="text"/>		
DEPARTMENT DIRECTOR/DIVISION MANAGER				
<p>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.</p>				
FIRST	MI	LAST		
<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>		
SIGNATURE			DATE	
<input style="width: 100%;" type="text"/>			<input style="width: 100%;" type="text"/>	
FOR FINANCE USE ONLY				
PRINT NAME				
<input style="width: 100%;" type="text"/>				
SIGNATURE				
<input style="width: 100%;" type="text"/>				

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	EVENT INFORMATION
<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	EMPLOYEE (Print name) & CLV 6-DIGIT EMP # *	DISTRIBUTOR (Print name)
EVENT/PURPOSE		DATE	EMPLOYEE SIGNATURE	DISTRIBUTOR SIGNATURE
<input style="width: 100%; height: 15px;" type="text"/>		<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>
<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	EMPLOYEE (Print name) & CLV 6-DIGIT EMP # *	DISTRIBUTOR (Print name)
EVENT/PURPOSE		DATE	EMPLOYEE SIGNATURE	DISTRIBUTOR SIGNATURE
<input style="width: 100%; height: 15px;" type="text"/>		<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>
<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	EMPLOYEE (Print name) & CLV 6-DIGIT EMP # *	DISTRIBUTOR (Print name)
EVENT/PURPOSE		DATE	EMPLOYEE SIGNATURE	DISTRIBUTOR SIGNATURE
<input style="width: 100%; height: 15px;" type="text"/>		<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>
<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	EMPLOYEE (Print name) & CLV 6-DIGIT EMP # *	DISTRIBUTOR (Print name)
EVENT/PURPOSE		DATE	EMPLOYEE SIGNATURE	DISTRIBUTOR SIGNATURE
<input style="width: 100%; height: 15px;" type="text"/>		<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>
<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	EMPLOYEE (Print name) & CLV 6-DIGIT EMP # *	DISTRIBUTOR (Print name)
EVENT/PURPOSE		DATE	EMPLOYEE SIGNATURE	DISTRIBUTOR SIGNATURE
<input style="width: 100%; height: 15px;" type="text"/>		<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>	<input style="width: 100%; height: 15px;" type="text"/>

* 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. Need for Additional Training on Gift Card Policy

- 1.1 Municipal Court management should provide additional training to gift card custodians on how to appropriately comply with the city's gift card policy and procedures.

Management Action Plan: Training for the employees who issue gift cards to participants of specialty courts was conducted on March 7, 2022. The Training included review of Gift Card Policy from Finance, proper procedure for complete forms related to gift cards and ensuring gift cards are securely stored.

Estimated Date of Completion: March 7, 2022

2. Inadequate Gift Card Security

- 2.1 Municipal Court management should instruct gift card custodians to secure gift cards under lock and key until issued and ensure key access is restricted. Management should periodically verify that custodians are properly securing their gift cards.

Management Action Plan: See Management Action Plan 1.1.

Estimated Date of Completion: March 7, 2022

3. Incomplete Gift Card Logs

- 3.1 Municipal Court management should provide additional training to gift card custodians on the proper way to complete the gift card logs when distributing gift cards.

Management Action Plan: See Management Action Plan 1.1.

Estimated Date of Completion: March 7, 2022

- 3.2 Municipal Court management should verify compliance with the gift card policy/procedure by periodically reviewing the completed gift card logs.

Management Action Plan: The Court has implemented additional procedures for verifying compliance with the gift card policy/procedure.

Estimated Date of Completion: April 1, 2022

4. Inadequate Management Review of Gift Card Inventory

- 4.1 Municipal Court management should implement procedures requiring the director and/or division managers to periodically perform independent inspections and audits of the unissued gift cards and logs in accordance with policy.

Management Action Plan: The Municipal Court has established an audit process for members of the Executive Team to audit gift cards and logs.

Estimated Date of Completion: May 4, 2022

5. Missing Gift Cards

- 5.1 Municipal Court management should locate the missing gift cards or report them missing to the Finance Department.

Management Action Plan: The missing cards were reported to the Finance Department after an additional search failed to locate them.

Estimated Date of Completion: March 10, 2022