

COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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Dr. Richard Burton, Director
Health and Human Services Department
County of Placer
379 Nevada Street
Auburn, CA 95603

Re: Countywide Gift Card Audit

Dear Dr. Burton:

The Internal Audit Division of the Auditor-Controller's Office performed a review of internal controls over gift cards used by County Departments during the period from July 1, 2009 through June 30, 2010. Gift cards for the Health and Human Services Department (Department) are used for various reasons, including incentives for at-risk children, food and other basic necessities, rewards for participating in surveys, etc.

The purpose of this review was to determine whether proper department internal controls regarding the use of gift cards have been designed to detect fraud and/or abuse and prevent it from occurring, and whether those internal controls have been placed into operation and are operating as designed; and that gift card purchases were made in accordance with the Accounting Policies and Procedures Manual, Credit Card Program Policies and Procedures Manual, and the Placer Administrative Manual.

Based on our review, which consisted of inquiries of the Department staff regarding current processes, procedures employed by the Department, and physical inspection of inventory, we noted significant deficiencies in the current internal controls over gift cards to ensure proper approval, purchasing, recordkeeping, distribution, and safeguarding of these assets.

Community Health

The Community Health Division stopped utilizing gift cards in April 2010, so we did not perform any audit procedures on their records.

Adult System of Care

The Adult System of Care Division, Auburn has one gift card currently and no past usage records, so we did not perform any audit procedures for this division either. The Adult System of Care Division, Cirby Hills, has \$20 in gift cards remaining that were part of the Campaign for Community Wellness Steering Committee Stakeholder Involvement program. Only informal records for distribution of the \$225 worth of gift cards from Starbucks were maintained. The remaining gift cards will be utilized as an incentive for a mental health patient who has remained on the County's caseload. The custodian of the gift cards will begin using ASOC's newly created Gift Card Tracking Form in the future.

Human Services Division

Gift Card Vouchers

The Human Services Division distributed 94 gift cards to clients during the period of our review. We noted 10 instances in our sample of 15 gift card vouchers selected, where required information on the Form "ALL 204 Food/Gas Voucher" was omitted:

- No client signature evidencing receipt of gift card (4 instances)
- No screener/case/eligibility worker name (3 instances)
- No authorizing supervisor signature (3 instances)

We recommend Gift/Food Card Procedures written by the Human Services Division be followed to ensure established internal controls safeguard these assets. Proper approval and supporting documentation should include completed "ALL 204 Food/Gas Vouchers" with client and supervisor signature along with the screener/case/eligibility worker initially authorizing the distribution. We also recommend the "ALL 204 Food/Gas Voucher" form be updated to include a specific signature line for the recipient of the card.

Department Response:

As noted, Human Services has existing procedures in place. Since the Food/Gift Card Audit in November 2010, a Fiscal supervisor has worked two days a week with staff at our Rocklin Office to ensure compliance with these procedures. Additionally, the Human Services Food/Gift Card Issuance Procedure has been updated and distributed to all eligibility and fiscal staff who would potentially handle these issuances. The updated procedure directly addresses verifying: correct issuance amounts, eligibility worker name, reason for the issuance, and authorizing supervisor signature. In addition, a signature line was added to the ALL 204 Food/Gas Card to document the signature of the recipient of the card.

The gift cards and gift card logs will be audited by Human Services fiscal staff on a monthly basis in order to ensure policies are followed, and to assist with the new quarterly affidavit reporting.

Supporting Documentation

The program managers and staff over the Roseville Human Services Division were unable to produce sufficient supporting documentation to support purchases and distribution of gift cards from 2007-2010. Records were inadequate and incomplete, and in some cases were recreated to show an accountability of the cards; however, there was no verification of distribution to clients.

We recommend the Human Services Gift/Food Card Procedures currently in place be strictly adhered to and all supporting documentation be retained for a time period consistent with all other accounting documentation retained by the Department.

Department Response:

Human Services agrees with audit finding and has taken corrective action to update Gift/Food Card Procedures. In addition, gift cards and gift card logs will be audited by Human Services fiscal staff on a monthly basis in order to ensure policies are followed, and to assist with the new quarterly affidavit reporting. All supporting documentation will be retained for a time period consistent with all other accounting documentation retained by the Department.

Verification of Amounts

During our testing, we were unable to validate that correct gift card amounts were distributed to recipients due to "ALL 204 Food/Gas Vouchers" not being consistently filled out in their entirety. The amount distributed is determined by the number of family members in need multiplied by the number of days support is needed at a rate of \$5.00 a day per person.

We recommend vouchers be filled out completely, which would include the number of family members and days of assistance, and no funds be disbursed unless completed forms are received.

Department Response:

Since the Food/Gift Card Audit in November 2010, the Human Services Division has taken the following actions to ensure proper issuance and retention of gift card and cash equivalent records:

- As of April 2011, the Human Services Food/Gift Card Issuance Procedure has been updated and distributed to all eligibility and fiscal staff who would potentially handle these issuances. The updated procedure directly addresses verifying: correct issuance amounts, eligibility worker name, reason for the issuance, and authorizing supervisor signature.*
- The ALL 204 Food/Gas Card form is being updated to include clearer eligibility explanations and a signature line for the recipient of the card.*

- *As of April 2011, current inventory logs exist for all food/gift cards on hand, and any other cash equivalent items (ie. bus passes) currently in stock, in both the Sunset and DeWitt offices.*
- *The gift cards and gift card logs will be audited by Human Services fiscal staff on a monthly basis in order to ensure policies are followed, and to assist with the new quarterly affidavit reporting.*

Children's System of Care (CSOC)

Unauditable Records

Recordkeeping of gift cards for the SAMHSA Longitudinal Study program was disorganized, incomplete, and supporting documentation was essentially unauditable. The auditors attempted to quantify amounts of gift cards that had no record of distribution to clients and were not in current inventory, to no avail. We also noted inaccurate inventory records while performing a physical inventory count of gift cards. Several gift cards were recorded twice and three times in the inventory database.

We recommend the Department's "Gift Card Use" draft policy and procedures be finalized and staff are trained on these procedures to ensure established internal controls safeguard these assets. Proper approval and supporting documentation of distribution of gift cards to the interviewers should be maintained. In addition, the Department should ensure the interviewers include documentation, including recipient signature of gift cards disbursed to clients as noted in the policy. If completed gift card tracking forms are not returned to CSOC, we further recommend the Department refrain from issuing new gift cards to interviewers until they receive them.

In addition, we recommend the Department ensure inventory records of all gift cards and cash equivalent items are accurately stated to reflect current inventory on hand. Beginning with the quarter ending March 31, 2011, we now require all departments to conduct quarterly counts of all gift cards and cash equivalent items and submit them to the Auditor-Controller for review.

Department Response:

In September of 2010, CSOC leaders became aware that the contracted vendor was unable to account for the distribution of gift cards associated with the long-standing Federal SAMHSA project. The cards are used as a mandatory incentive to parent enrollment in the National Study of System of Care outcomes.

It should be noted that between the time CSOC implemented the distribution of gift cards and September 2010, the contract vendor experienced four staff turnovers. Two program directors left their employment with the vendor. They were replaced by an "Interim Director" for six months. In addition, two employees who were assigned to the Longitudinal Study abruptly left their positions. CSOC staff providing oversight to the gift card distribution process was

repeatedly given guarantees by the vendor that the process was being implemented and monitored accurately.

The report states "...cards were recorded twice and three times in the inventory database." While this is accurate, it is important to note that the vendor's records were shown to be inaccurate, incomplete or duplicative. The division's analysis yielded no duplicative numbers.

In response to the vendor's challenges, on November 10, 2010, CSOC drafted and implemented a gift card policy for all staff and met with the contractor, United Advocates for California's Children and Families, to implement the policy. Additionally, CSOC staff began additional oversight of the related processes and made efforts to assure compliance.

Program Management

The Contractor hired by the County to conduct client interviews has been struggling to provide completed interview packets to CSOC for reporting back to SAMHSA. Interview packets returned to CSOC staff were often incomplete (first page information missing type of interview, date of interview, who was interviewed, etc.) They were poorly organized, containing inaccurate information regarding clients (mismatched names with ID numbers, evaluation period, etc.) Often times, pages in the packet were blank entirely.

In addition, the Department has been unsuccessful in its numerous attempts to rectify reporting shortfalls with the Contractor. The importance of conducting the study outweighed concerns with accuracy and completeness of information from the Contractor, so the Department moved forward with the program despite the challenges, which surfaced early in the program.

We recommend the SAMHSA Longitudinal Study program be investigated further by CSOC Management in order to accurately determine the extent of these problems as well as to clarify the extent of questioned costs related to gift cards.

Department Response:

CSOC had experienced in mid-year 2010, challenges in obtaining timely and accurate information from UACF in other areas of their reporting of information, beyond the gift cards. Those challenges were a major catalyst to the department's decision to re-bid the contracts then assigned to UACF. The contract for SAMHSA Advocacy was re-bid, and awarded to a new contractor in January 2011. The new vendor hired the UACF employees intact; in order to assure the families in the advocacy service did not experience an interruption in service.

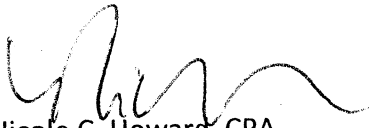
In late January, MHA senior staff was concerned about the absence of gift card record keeping and expressed desire to remedy the situation as quickly as possible. In February 2011, MHA separated the employee.

In March 2011, the division again reviewed the Gift Card policy and revised it to include suggested elements from Auditor guidelines received on March 9, 2011. In early March, following the separation of the MHA employee, CSOC Program Manager, the MHA Program Director and staff met for a 3 hour training on data collection, gift card distribution, and reconciliation for the Longitudinal Study. The practice currently in place requires a weekly reconciliation by the MHA staff interviewers and Program Director. Receipts and any cards not disbursed the prior week are turned in to CSOC staff and reconciled against the inventory before additional gift cards can be issued for the current week. This process appears to be working successfully.

The Departments' responses to the recommendations identified in our review are included above. We did not audit the Departments' responses and, accordingly, we express no opinion on them.

We appreciate the Department staff's courtesy and cooperation throughout the course of this review.

Sincerely,



Nicole C. Howard, CPA
Internal Audit Manager

cc: James Gandley, Assistant Director, Health and Human Services
Richard Knecht, Director, CSOC
Jim Nissen, Administrative and Fiscal Operations Manager, CSOC
Cheryl Davis, Director, Human Services
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Placer County Audit Committee