

# COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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February 17, 2011

Mr. Stephen Pecor, Chief Probation Officer Placer County Probation Department 2929 Richardson Drive, Suite B Auburn, CA 95603

Re: Countywide Gift Card Audit

Dear Mr. Pecor:

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 of July 1, 2009 through June 30, 2010. Gift cards for the Probation Department (Department) are used for purchasing incentive items necessary to reward juveniles meeting goals and milestones.

The purpose of this review was to determine whether proper department internal controls regarding the use of gift cards have been designed to prevent and/or detect fraud or abuse 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 recordkeeping, distribution, and safeguarding of these assets.

Based on our inquiries and the procedures performed, our summary of the findings and recommendations are as follows:

### **Supporting Documentation**

We noted during our review that supporting documentation for the gift cards is lacking in several key areas.

- Incomplete Gift Card Tracking Forms During our review of prior records, we noted
  information requested on the Department's logs were incomplete, i.e., in numerous
  instances, the logs were lacking date issued, juvenile name and signature. In addition,
  Gift Card Tracking Forms were turned into the accounting division on an inconsistent
  basis for the last three years.
- Eligibility Criteria needed (i.e., graduation from high school, anger management class completed, etc.) for juveniles in the program to meet in order to earn a specific type and or/denomination of gift card as a reward is not documented on the Gift Card Tracking Forms.
- Retention Gift Card Tracking Forms are filled out when new cards are purchased with
  the control numbers; however, the completed forms are not forwarded to the
  accounting division after complete distribution of cards to juveniles and blank forms
  aren't retained in the accounting division awaiting match up. Completed Gift Card
  Tracking Forms, along with any blank forms that have been given to Probation officers
  would give the Department a total of gift cards that were spent throughout the year.

We recommend the Department's recently updated Gift Card Tracking Form always be filled out completely, and we recommend it also include the goal met for the applicable reward (reason for incentive item and/or denomination), as well as a space for the distributing Probation Officer to sign as evidence the item was given out. If completed Gift Card Tracking Forms are not returned to the accounting division, we further recommend the Department refrain from issuing new gift cards and logs until they receive them.

We also recommend all supporting documentation be obtained when disbursement is completed and retained for a time period consistent with all other accounting documentation retained by the Department.

## <u>Department Response:</u>

The Department concurs with the majority of recommendations that have come about as a result of this audit. In fact, prior to the audit occurring, as the Department performed an internal review, we noted deficiencies and updated our internal policies and forms. Those policies and forms were reviewed with the auditors and further modified to insure best meeting County and Department needs. The Department provided samples of our purchase request, revised logs, the revised log/cash equivalent issuance letter and our policy.

Electronic copies of logs and other support documentation demonstrate that approximately 25% of logs were completed as requested by probation staff. Certainly this level of completion is not acceptable and will not be condoned or accepted moving forward. The Department's procedures for distribution of cash equivalents have been changed to insure proper documentation is compiled and maintained.

The Department disagrees with the auditor's request to require officer's to indicate eligibility criteria on the gift card tracking forms. California law requires information concerning these minors be kept confidential, including their names. The Department proposes that in addition to having individual officers sign for specific cash equivalents issued, that each officer also record the case number of the minor who received the cash equivalent. Officers are already documenting, in detail, individual case plans that delineate every aspect of each minor's life and areas needing attention. These cash equivalents tie into these case plans and are documented by officers in the Department's case management system. To require duplicative data entry in order to provide audit documentation would create an undue burden on staff already absorbing greater workloads and would be counterproductive to efficient operations. Department fiscal staff will be happy to assist any future auditor in reviewing case notes within probation's case management system, on an as needed basis, to verify individual need and corroborate information via the case number. This method of verification would be least impactful within the Department, while maintaining the confidentiality required and providing any needed verification of the use of public funds.

The Department concurs with the comments regarding retention of gift logs and is incorporating the suggested actions into its procedures.

## <u>Inventory Count</u>

We noted during our review that inventory reportedly on hand was incorrectly stated and counts are not being conducted on a regular basis.

We recommend the Department ensure inventory records of all gift cards and cash equivalent items (movie, bus, swim, park, etc. passes) are accurately stated to reflect current inventory on hand. In the future, we will require all departments to conduct quarterly counts of all gift cards and cash equivalent items along with a reconciliation to be submitted to the Auditor-Controller for review.

### **Department Response:**

As the Department proceeds, quarterly counts will be conducted to insure consistent record of inventory of all cash equivalents is maintained.

The Department's responses to the recommendations identified in our review are included above. We did not audit the Department's 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: Chris Artim, Senior Administrative Services Officer, Probation

**Placer County Audit Committee**