



## **Compliance Review of the Human Services Department's Gift Card Inventory Process**

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**Report 07-02**

**Office of the County Auditor**

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## Executive Summary

This report summarizes our evaluation of the controls and procedures over gift card inventory for three entities within the County's Human Services Department for the period April 22, 2004 through April 27, 2005. These entities purchased 3,100 gift cards in the amount of \$258,213 for distribution to low income families and chronically homeless adults.

Our report indicates:

- Homeless Initiative Partnership Administration (HIP) had adequate procedures and could account for all gift cards
- Children's Services Administration Division (CSA) had adequate procedures but did not document the eligible recipient for all cards as required in their procedures
- Family Success Administration Division (FSA) did not have adequate procedures and did not account for all cards

Because the department did not account for all gift cards, we could not verify who received cards, whether recipients were eligible, and whether all cards were used for their intended purpose.

To address these deficiencies, we recommend the Board of County Commissioners direct the County Administrator to:

- Implement policies and procedures to account for gift card inventories
- Monitor compliance with written policies and procedures

## Objective and Scope

Our objective was to evaluate the controls and procedures over the gift card inventory.

The review covered 3100 gift cards purchased between April 22, 2004 and April 27, 2005 under open-end multiple contracts (Master Price Agreement No. F4CHA1002) with Marketing Innovators (J.C. Penney), Sears, and Target in the amount of **\$258,213**<sup>1</sup>. These purchases were made by the following entities within Broward County's Human Services Department:

- Children's Services Administration Division (CSA)
- Family Success Administration Division (FSA)
- Homeless Initiative Partnership Administration (HIP)

## Methodology

To accomplish our objective, we

- Conducted interviews with County staff,
- Examined gift card purchase documentation,
- Reconciled gift card inventory logs to purchase documentation,

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<sup>1</sup> 60 cards purchased from Target in \$10 increments, 556 cards purchased from Target in \$25 increments, 1,110 cards purchased from Target in \$100 increments, 1,029 cards purchased from Sears in \$100 increments at a discount of \$97.10, 345 cards purchased from J.C. Penny at a discount of \$95, and 21.95 in shipping charges

- Analyzed gift card inventory logs for chain of custody<sup>2</sup> documentation, and
- Tested a sample of gift card inventory logs to determine who received gift cards.

## Background

For the period of April 22, 2004 through April 27, 2005, the following entities purchased and distributed gift cards:

Table I

Entity	Gift Cards	Amounts
Children’s Services Administration Division (CSA)	1,984	\$193,713
Family Success Administration Division (FSA)	500 <sup>3</sup>	\$ 50,000
Homeless Initiative Partnership Administration (HIP)	616	\$ 14,500
<b>Total</b>	<b>3,100</b>	<b>\$258,213</b>

Source: Office of the County Auditor analysis of gift card purchases

County staff transfer cards to social workers within County agencies and the School Board of Broward County who subsequently distribute them to eligible recipients. Recipients include low income families with school age children for purchase of back to school clothing and supplies and chronically homeless adults to provide move in supplies.

## Finding

### The department could not account for all gift cards.

County policy<sup>4</sup> states that “[Gift cards] should be under safekeeping, with an inventory list maintained by the employee responsible for their safekeeping.” To account for gift card inventories, the department should develop and implement controls over receiving, storing, and distributing gift cards. Procedures should contain guidelines governing documentation for the chain of custody and eligible recipient for each card.

We found that:

- HIP had established adequate procedures and could account for all gift cards. Its procedures and practices include maintaining documentation for chain of custody and eligible recipient for each card. For the items tested, HIP complied with County policy and its own internal procedures.
- CSA had established adequate procedures but did not document the eligible recipient for all cards. Its procedures include maintaining documentation for chain of custody and eligible recipient for each card. CSA provided us with documentation (inventory logs) to show chain of custody for all 1,984 cards purchased. However, it could not provide required documentation evidencing the eligible recipient for 10 of a sample of 35 cards we selected from the logs.

<sup>2</sup> Individual in possession of card each time it was transferred (i.e., card xyz was received by Manager A, transferred to Social Worker B, and distributed to Eligible Recipient C.)

<sup>3</sup> This figure includes 300 cards purchased on April 27, 2005 not reviewed by the Office of the County Auditor

<sup>4</sup> Administrative Code, Internal Control Handbook, Volume 8 “Cash Handling and Depositing Procedures,” Section VI “Document Control,” Subsection B.2

- FSA did not have adequate procedures and did not account for all gift cards. Its procedures do not include maintaining documentation for chain of custody or eligible recipient for each card. It did not maintain documentation to show chain of custody for 28 of 200 cards purchased nor could it provide documentation evidencing the eligible recipient for the 28 cards.

Because the department did not account for all gift cards, we could not verify who received cards, whether recipients were eligible, and whether all cards were used for their intended purpose.

## **Recommendation**

To account for all gift cards, we recommend the Board of County Commissioners direct the County Administrator to:

- Ensure all entities that distribute gift cards establish and implement written policies and procedures to account for gift card inventories. These should include controls over receiving, storing, and distributing gift cards. They should also include chain of custody and eligible recipient documentation.
- Monitor compliance with written policies and procedures including periodic reviews of gift card logs and eligible recipient documentation.