

CITY OF ALLENTOWN

REVIEW OF GIFT CARDS – Mayor’s Office 11/20/2023

Date of Report: January 22, 2024

A gift card is a prepaid debit card and is considered a “cash equivalent” that contains a specific amount of money available for use for a variety of purchases. Store gift cards are designed to be used at specific merchants or retailers, while general use prepaid gift cards are not affiliated with any specific merchant. The holder of a gift card can redeem the card for merchandise or services.

Gift cards, considered cash equivalents, should be handled like cash, with appropriate controls and safeguards. Gift cards, whether purchased or received from a funding source, should be tracked (a perpetual inventory), physically secured, and safeguarded from unauthorized access, use or theft.

The Mayor’s Office purchases gift cards for disbursement to City residents as incentives. The Mayor’s Office funding for gift cards is typically provided by Grants, which may stipulate that gift cards must be purchased for specific purposes.

OBJECTIVE

The objective of this audit was to:

- Perform a count of all the Gift Cards maintained in Treasury and tracing them to the internal gift card logs. To ensure the Gift Cards were present and properly reported.
- Ensure a proper segregation of duties (the same person does not purchase, maintain inventory records and disburse gift cards and prizes).
- Determine the existing policies and procedures including AIMs were being followed and whether internal controls were adequate to ensure that Gift Cards and prizes were accurately recorded and safeguarded.
- Identify any potential internal control weaknesses including but not limited to the physical security of Gift Cards and prizes.

PROCEDURES

This audit was conducted in accordance with generally accepted governmental auditing standards and utilized an approach that included counts, staff interviews, reviews of documents, and reports and examinations of individual financial transactions.

Our process began by counting the gift cards safeguarded in Treasury. The physical counts were compared to the prescribed system total (internal logs). Any discrepancies between the prescribed totals and the physical count were validated with the Department.

FINDINGS, RECOMMENDATIONS AND RESPONSES

INTERNAL CONTROL WEAKNESSES

1. Gift Cards Purchased on P-Card

Per an email sent by Finance on 09/08/2021,

“all gift cards are to be purchased on a Purchase Order and not by a p-card. If you plan on purchasing gift cards, you must enter them on a requisition and work with your buyer...If you have purchased a gift card recently on your p-card, please...provide Purchasing a copy of the gift card numbers (if you still have them) and distribution log.”

We identified 4 (four) gift card purchases made in 2023, totaling **\$1,800.00** made on a Mayor’s Administration P-Card. Purchasing did not receive a copy of the gift card numbers and distribution log as outlined in the Finance directive.

Recommendation

The Mayor’s Office should comply with the Finance directive.

Administration’s Response

We agree and will work with our buyer in the future should we ever purchase more gift cards.

2. Gift Cards Purchased Not Located in EDEN

We reviewed the Mayor’s Office Gift Card Control Log maintained in Treasury and compared the Gift Cards listed to the Gift Card numbers on the purchase receipt on 01/08/2024 and could not locate the purchase in EDEN, either posted or unposted. The purchase was made on 11/10/2023 for **\$1,200.00**.

Per the Invoice Entry Standard Operating Procedure, dated 11/01/2021,

- “1. Purpose:
 Outlined procedure to input a invoice into EDEN. All payments are processed by AP and should be processed promptly....
- 2. Specifications:
 P-Card Transactions: Enter the transaction into Eden as an invoice within 3 days of the transaction posting on the TD site.”

Recommendation

Gift Card purchases should be entered in EDEN as required.

Administration's Response

We agree and will receive Eden invoice training so as to enter our purchases in a timely manner.

3. Gift Card Log Weaknesses

We reviewed the Mayor's Office Gift Card Control Log maintained in Treasury and noted the following deficiencies on the log:

- The Gift Card log does not contain the dollar amount of the gift card.
- 1 (one) instance of the listing of a person without a corresponding gift card number. It is unclear whether someone was issued a gift card or whether a gift card was purchased.
- Copies of the gift cards were not scanned in EDEN.

Recommendation

The issues identified should be corrected.

Administration's Response

We agree and will include gift card amounts on logs in the future, in addition to uploading copies of the cards to Eden. Additionally, we will be sure that all log items correspond to a specific person.