

CITY OF ALLENTOWN

EMPLOYEE WELLNESS INCENTIVE REWARDS GIFT CARD COUNT HUMAN RESOURCES 10/22/2020

Date of Report: December 14, 2020

The mission of the Department of Human Resources (HR) is to “empower and support our most valuable resource – employees – by providing guidance and direction, fostering professional growth, promoting open communication and a culture of safety to better serve the citizens of Allentown”.

Yearly, Capital Blue Cross provides money to the City of Allentown to be used for “Employee Wellness Incentives”. HR uses the money to purchase employee wellness incentives. The employee wellness incentives include but are not limited to Gift Cards, Fitbits, lunch boxes, etc. The incentives are awarded by HR.

Additionally, other gift cards that are not purchased with Capital Blue Cross monies are managed by HR.

OBJECTIVE

With the funds provided by Capital Blue Cross, HR purchased Employee Wellness Incentives. The incentives include but are not limited to Gift Cards, Fitbits, lunch boxes, etc. For purposes of this review we only reviewed Gift Cards.

The audit objectives were:

1. To perform a surprise count of all the Gift Cards managed by HR.
2. To ensure the Gift Cards were present and properly reported.
3. To determine the existing policies and procedures including AIMs were being followed and whether internal controls were adequate to ensure that Gift Cards were accurately recorded and safeguarded.
4. To identify any potential internal control weaknesses including but not limited to the physical security of Gift Cards.

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 HR Director.

FINDINGS, RECOMMENDATIONS AND RESPONSES

INTERNAL CONTROL WEAKNESSES

1. Weaknesses in the Gift Card Log Process

In 2017, the HR Director shared the procedure the staff follows regarding the gift card process. The process is not formally published.

‘The procedure includes Purchasing keeping a list of the gift cards and HR maintaining a corresponding list of the serial numbers. As cards are given out the name of the employee receiving it and the serial number will be logged on the master list sheet so they can be inventoried at any time. HR will also log and inventory any other prizes of a non-de-Minimis value, and the same tracking will be applied. Employees will also be required to sign a log or receipt showing they received it.’

In 2018, the physical gift cards were relocated to the safe in Treasury; Treasury assumed responsibility for the safeguarding of the gift cards.

There is only one Safety Committee Employee Safety Awards log and it is maintained in Treasury.

The Employee Wellness Incentives gift card logs although the same are maintained separately and independently by Treasury and HR:

- The log maintained by Treasury tracks the inventory of the gift cards and who in HR has retrieved and assumed responsibility of the gift card.
- The log maintained by HR tracks who was awarded the gift card and who gave out the gift card.

We reviewed the physical cards and the logs and noted the following weaknesses:

- The Treasury log for the 9 Amazon gift cards purchased in 2019 is incorrect. Serial numbers for 5 of the cards do not agree to the log.
 - Based on this observation it is evident that the physical cards were not verified by either HR or Treasury when initially stored in Treasury. It is also evident that a periodic inventory of the gift cards is not performed by either Treasury or HR.
- The HR log for the initial 55 Amazon Gift Cards remaining had 8 gift cards which were awarded but whose recipient could not be identified from the printed name or signature; 5 of the gift cards had no printed name or signature. Through research, Internal Audit and HR were able to identify 7 of the 8 recipients.

- It is unknown who was awarded the unidentified gift card or if there was malfeasance.
- The HR log for the Wegman's Gift Cards had 3 cards which were awarded but whose recipient could not be identified from the printed name or signature. Through research, HR was able to identify 2 of the recipients. Additionally, the unidentified gift card did not include the HR representative who awarded the gift card.
 - It is unknown who was awarded the unidentified gift card or if there was malfeasance.
- The Safety Committee Employee Safety Awards' log has spaces to: print who was physically given the gift card, a signature to acknowledge receipt of the gift card and is typically initialed by the person in Treasury who distributed the gift card.

The Safety Committee Employee Safety Awards' log had 4 gift cards where the printed name was the Risk Manager's, but the signature space is not signed but instead the words "Safety Day" were printed. The Treasury Accountant initialed the log acknowledging the distribution of the gift cards. The Risk Manager insists they never signed out the gift cards and the Treasury Accountant cannot remember to whom they gave the gift cards.

Additionally, there is no signature or identification for the person who was awarded the gift card. Internal Audit and RISK were unable to identify any of the recipients of the gift cards.

- Based on this observation it appears that whoever took the gift cards did not properly sign them out and that the Treasury Accountant did not properly transfer responsibility of the gift card to a specific person.
- It is unknown who was awarded the gift card or if there was malfeasance.

Recommendation

- Before storing gift cards in the Treasury vault, Treasury personnel should ensure the gift cards agree to the logs.
- Gift cards should be periodically counted and compared to the logs created.
- To ensure proper transfer of responsibility, when gift cards are distributed by Treasury, the individual should be properly identified, and signatures should be obtained as proof of transfer of responsibility of the gift cards. Individuals should not be using other employee's names when receiving gift cards.
- Prior to awarding the recipient a gift card, HR should have the recipient sign the gift card log.

Administration's Response

HR - HR is developing an updated policy and process flow chart. We are creating a new log, that will be reviewed prior to submitting the cards to Treasury. The new

process will include a dual review, where Treasury and HR will validate the cards and numbers and both employees will sign off. When cards are distributed by Treasury, the individual will be properly identified, and signatures will be obtained as proof of transfer of responsibility of the gift cards. Individuals will not be using other employee's names when receiving gift cards, and any attempt to use a different person's name will be considered a violation and will be subject to discipline. Prior to awarding the recipient a gift card, HR will have the recipient sign the gift card log.

Treasury – Treasury will also do a process whereby we will verify who is signing for the cards. If they don't know the person, they will request ID and make sure that the person signing is signing their name in addition to making sure that the signature on the log is legible.

2. Potential Obsolescence of Gift Cards

Yearly, Capital Blue Cross provides money to the City of Allentown to be used for "Employee Wellness Incentives". With the funds provided by Capital Blue Cross, HR purchased Gift Cards.

- In 2016, 76 Amazon gift cards were purchased as Employee Wellness incentives. In 2018, a new log was prepared of the remaining 55 gift cards. Per the inventory log as of 10/22/2020, 22 gift cards remained unawarded.
- In 11/2019, 9 Amazon gift cards were purchased as Employee Wellness incentives. Per the inventory log as of 10/22/2020, 5 gift cards remained unawarded.
- The gift cards are NOT awarded in any order such as first in/first out. Currently remaining in stock are 22 gift cards issued in 2016 and 5 gift cards issued in 2019.

Recommendation

To decrease risk of loss or obsolescence, issuance of the gift cards should be done in first in, first out method or a system should be developed to ensure the older gift cards are awarded first.

Administration's Response

Gift cards will be assigned a number in order of receipt and will distributed in FIFO (first in first out) order.

3. Gift Card Log Weaknesses

We reviewed the Gift Card logs being used to record the recipient information and noted:

- Except for the Safety Committee Employee Safety Awards log, the gift cards logs do not provide enough space to identify the person awarded the gift card.

- Although the Gift Card logs have numeric assignment of the gift cards, the physical gift cards do not, and the gift cards can only be matched to the logs by serial number which complicates how the gift cards are awarded.

Recommendation

- The log should be revised to allow for enough space to identify the person who is awarded the gift card.
- To facilitate assignment and identification of the gift cards, the physical gift cards should be tagged with a sticker that matches the log to easily identify the gift card.

Administration's Response

The log will be revised to allow for enough space to identify the person who is awarded the gift card. To facilitate assignment and identification of the gift cards, the physical gift cards will be tagged with a sticker that matches the log to easily identify the gift card.

4. Reporting of Gift Cards thru Payroll

Per the HR Director's response to the 2017 audit,

"...gift Cards are considered compensation by the IRS. Employees receiving gift cards are charged with imputed income for IRS tax purposes. This was implemented along with the inventory control in 2016. This permits dual method of tracking the individuals that have received incentive awards and/or prizes. "

The awards are tracked in the Payroll module in EDEN as code, "WELL". A payroll report of the "WELL" code was run and compared to the gift card logs and we noted:

- The Safety Committee Employee Safety Awards had 4 gift cards awarded to employees but whose names did not appear on the Payroll report. As noted in issue #1, it is unknown who received the gift cards. But the amount of the gift card is known, and the amount does not appear in any of the Payroll reports generated.
- The HR logs for the Amazon Gift Cards had 4 gift cards listed as being awarded but the recipients names did not appear on the Payroll report.
- The HR logs for the Wegmans Gift Cards had 1 gift card listed as being awarded but the recipient's name does not appear on the Payroll report.

Recommendation

HR should have employees receiving gift cards, or any wellness incentive complete the Payroll form before receiving their gift card.

Administration's Response

Each gift card will be stored with the Payroll Form. When an employee receives the gift card, he or she will be required to sign the Payroll Form and submit it to HR immediately.

5. Use of Employee Wellness Incentive Gift Cards

Yearly, Capital Blue Cross provides money to the City of Allentown to be used for "Employee Wellness Incentives". HR uses the money to purchase Amazon Gift Cards. The incentives are awarded by HR.

We identified 6 gift cards (purchased with Capital Blue Cross money) awarded to employees for outstanding work performance and not as a wellness incentive.

Recommendation

Gift Cards purchased with Capital Blue money for Employee Wellness Incentives should not be used as employee bonuses for outstanding work performance.

Administration's Response

HR will purchase some additional gift cards outside of Wellness Incentive funds that will be used as employee incentives and job fair incentives. Gift Cards purchased with Capital Blue funds will not be used for anything other than wellness incentives.