

# **CITY OF ALLENTOWN**

## **REVIEW OF GIFT CARDS – Community & Economic Development (CED)**

**Date of Report: January 11, 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.

Community & Economic Development (CED) purchases gift cards for disbursement to City residents as incentives.

CED funding for gift cards is typically provided by Grants, which may stipulate that gift cards must be purchased for specific purposes, or from the CDBG budget.

### **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 \$1,350.00 made on a CED Manager's P-Card.

#### **Recommendation**

CED should comply with the Finance directive.

#### **Administration's Response**

We agree and going forward will abide by the audit's recommendations.

#### **2. Gift Cards Purchased Not on Control Log**

We reviewed the CED Gift Card Control Log maintained in Treasury and compared the Gift Cards listed to the Gift Card numbers purchased and identified 3 (three) gift cards totaling \$150.00 which were not listed on the CED Gift Card Control Log maintained in Treasury. From the logs, it is unclear what happened to the Gift Cards.

Administration provided the detail of who received the gift cards.

#### **Recommendation**

All the gift cards purchased, and their subsequent disposition should be detailed on the Treasury gift card logs. The gift card purchase should agree to the gift card logs and the disposition of the card should be listed on the Treasury logs. The department gift card logs should list and provide detail of who was awarded and received the gift card.

#### **Administration's Response**

We agree and going forward will abide by the audit's recommendations.