



FULTON COUNTY

**FULTON COUNTY, GEORGIA
OFFICE OF INTERNAL AUDIT**

**JUVENILE COURT GIFT CARD AUDIT
4TH QUARTER 2013**

April 17, 2014

TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
BACKGROUND	1
OBJECTIVE	3
SCOPE	3
METHODOLOGY	3
FINDINGS AND RECOMMENDATIONS	3
AUDIT CONCERN	4
CONCLUSION.....	6

Introduction

The Office of Internal Audit conducted a review of the gift cards utilized by Fulton County (County) Juvenile Court as incentives for eligible program participants. Our review encompassed the handling of gift cards from the original requisition to the final disposition and concentrated on the internal controls utilized to ensure accountability. The review was conducted as required by Treasury's Gift Card Standard Operating Procedures.

Internal controls are processes designed to provide management reasonable assurance of achieving operation efficiency, compliance with laws and regulations and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to assess the adequacy of internal controls based upon our review.

Background

Gift cards are payment cards with preloaded values, typically given as a gift. A recipient may use the gift card to purchase goods or services from one or more merchants. There are generally two types of gift cards:

1. **Branded or Open-System Gift Cards:**
These gift cards carry the logo of a payment card network (e.g., American Express®, Discover®, MasterCard® or VISA®) and can be used at any merchant that accepts the corresponding payment network's brand. Typically, open cards may be reloaded allowing the cardholder to add value.
2. **Private Label or Closed-System Gift Cards:**
These cards have emerged and replaced the conventional gift certificate. Commonly known as merchant gift cards, these closed-system cards are limited to a defined merchant or location and to the initial value posted to the card. However, some closed-system card programs may allow the cardholder to add value.

Gift cards are often used as incentives for County programs. Treasury is responsible for procuring, safeguarding and distributing the gift cards to the appropriate agencies within the County as requested by the authorized agency's representative. These gift cards are available in \$25, \$50, \$75, \$100 and \$500 increments. Currently, Treasury only procures VISA® gift cards. County Departments may issue gift cards to eligible recipients for varying purposes in accordance with their program guidelines.

To aid in attaining its mission, Juvenile Court provides incentives, such as gift cards, to eligible participants of specific programs according to grant guidelines. Grants funds are used to purchase court ordered incentives for parents and children that comply with program requirements. The following table identifies the program that utilized gift cards as incentives, the funding source, total amount of funding, total funding available for incentives, total funding and incentive funding used for the 4th Quarter 2013.

Incentive Activity for 4 th Quarter 2013				
Program	Funding Source	Funding Period	Funding Available for Incentives	Total Incentive Funding Expensed
Juvenile Drug Court	2011 Judicial Assistance Grant (JAG)	09/01/2011 thru 09/30/2014	\$ 3,700	\$ 1,015*

**Treasury is assessed a fee for each gift card purchased. The fee is recouped from the department.*

Family Drug Court offers gift cards as incentives based on successful completion of various parts of the program and other positive behaviors as authorized by the presiding judge. These incentives provide support for parents to initiate the reestablishment of the family’s home and may include, but not limited to, clothing, household items and utilities. VISA® gift cards are used to purchase the incentives offered by Family Drug Court. For the 4th Quarter 2013, Family Drug Court did not disburse any incentives to program participants.

The County is a sub-recipient of the 2011 Judicial Assistance Grant (JAG), a federally funded grant administered by the City of Atlanta. For Juvenile Drug Court, gift cards are offered as incentives to juveniles based on their successful completion of various parts of the program and other positive behaviors as authorized by the presiding judge. Since participants of Juvenile Drug Court are minor children with substance abuse issues, Juvenile Court determined it was in the best interest of the participants if they did not receive VISA® gift cards because it’s similar to cash with unrestrictive merchant usage. Instead, Juvenile Drug Court obtained merchant gift cards to distribute to eligible participants. Since Treasury only offers VISA® gift cards, Juvenile Court procured \$1,000 in VISA® gift cards from Treasury and utilized \$360.15 to purchase merchant gift cards. Juvenile Court has submitted a request to the City of Atlanta to expand the incentive merchant list. This request is currently under review and pending approval. Gift cards are non-refundable, thus it is imperative that they are all disbursed to eligible program participants before the grant award expires. The total value and type of gift cards in Juvenile Court’s inventory at the time of our review are detailed in the graph below.

Juvenile Court's Gift Card Inventory



Objective

The objective of our review is to assess the effectiveness of the procedures and internal controls implemented by Juvenile Court regarding the authorization, issuance, security and distribution of its gift cards.

Scope

The audit period covered by this review is the 4th Quarter 2013.

Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations and board resolutions;
- Interviewed key personnel and performed walkthroughs with department personnel;
- Utilized AMS voucher queries to identify the volume of gift cards and the source of funding;
- Verified appropriate levels of management authorized to approve the purchase of gift cards;
- Reviewed, reconciled and confirmed the value of the gift cards; and
- Verified the safeguarding of gift cards.

Generally Accepted Government Auditing Standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Findings and Recommendations

Finding 1 – Antiquated Juvenile Court Program Incentives Policy

Policies and procedures help ensure the actions initiated by management to address risks are achieved and the department's objectives are performed effectively. In addition, detailed procedures help ensure the continuity of the process in the event of personnel turnover. Juvenile Drug Court and Family Drug Court utilize gift cards as part of their program incentive. However, the types of gift card incentives offered and the method of their distribution by Juvenile Drug Court and Family Drug Court are different and in accordance with each respective programs' requirements.

During our audit, we noted that the current Incentives Policy was antiquated as it only addressed the requirements for Family Drug Court's gift card incentives. When the Incentives Policy was adopted, Juvenile Drug Court did not have a program that offered incentives. As a result, the policy did not encompass the program requirements for Juvenile Drug Court's gift card

incentives. Subsequently, the processes followed for Juvenile Drug Court’s gift card incentives were not aligned with the Incentives Policy. Written policies and procedures should be established in accordance with each program’s requirements. The failure to have policies and procedures that are program specific could result in the misuse of program assets.

Recommendation

In order to recognize the variations of the programs’ incentives, we recommend that Juvenile Court regularly review and modify its Policies and Procedures for Court Program Incentives to reflect its actual standard operating practices. These policies and procedures should reflect Juvenile Court’s standard protocol for gift card acquisition from the Treasury Department, in addition to procedures that are unique to the actual operating practices of each of its programs that utilize gift card incentives. The policies and procedures should also define individuals’ roles, designate responsibilities and detail the tasks necessary to achieve management’s objectives and help ensure compliance with applicable laws, regulations and program requirements. The tasks should be simplified so that individuals not familiar with the process can assist and perform the tasks effectively and efficiently. In addition, these policies and procedures should be formally documented, approved by management and periodically reviewed for updates.

Audit Concern

Currently, Juvenile Court uses VISA® gift cards to purchase merchant gift cards for the Juvenile Drug Court Program. We were able to reconcile the gift card balances and quantities to Juvenile Court’s records. During the reconciliation process we noted two areas of concern: 1.) VISA® assessed a fee for each additional inquiry in excess of the one inquiry allowed per month; and 2.) Juvenile Court’s inability to spend the entire non-refundable VISA® gift card balances when purchasing merchant gift cards.

JUVENILE COURT GIFT CARD RECONCILIATION				
	Gift Card Brand	Quantity	Value	Total
Beginning Balance				
	VISA® - \$50	2	\$ 100.00	
	VISA® - \$100	4	\$ 400.00	
	VISA® - \$500	1	\$ 500.00	
		7		\$ 1,000.00
Ending Balance as of 2/19/2014				
	VISA® - \$50	2	\$ 100.00	
	VISA® - \$100	4	\$ 400.00	
	VISA® - \$500	1	\$ 137.85	
	AMC	7	\$ 108.50	
	GA Aquarium	7	\$ 251.65	
		21		\$ 998.00
Reconciling Item				
	Merchant Fees			\$ 2.00

We have identified a viable gift card procurement recommendation that would eliminate merchant fees and outstanding gift card balances. The following chart outlines the pros and cons of Juvenile Court’s current gift card procurement process and our proposed gift card procurement process.

JUVENILE COURT GIFT CARDS		
	Current Process	Proposed Process
	Juvenile Court procures VISA® gift cards from Treasury and uses those gift cards to purchase merchant gift cards for incentives as allowed per the grant award.	Juvenile Court may procure merchant gift cards through the County’s vendor process by encouraging the merchants to establish themselves as vendors in AMS. The vendors are paid for merchant gift cards via a physical check.
PROS	<ol style="list-style-type: none"> 1. Access to grant funds to purchase gift cards is the second fastest process for Juvenile Court to use. 2. Gift cards are readily available to disburse to eligible participants. 3. Gift cards are reconciled in accordance with Juvenile Court’s policy. 	<ol style="list-style-type: none"> 1. After the lengthy process, gift cards are available to disburse to eligible participants. 2. Gift cards are reconciled in accordance with Juvenile Court’s policy. 3. Obtaining VISA® gift cards from Treasury is no longer a prerequisite, which eliminates merchant fees and unused gift card balances.
CONS	<ol style="list-style-type: none"> 1. Merchant fees are assessed to VISA® gift cards. 2. Small balances are left on VISA® gift cards. 3. Unavailability of merchant gift cards (only VISA®) from Treasury. 	<ol style="list-style-type: none"> 1. The process is lengthy. 2. The process/timeframe of getting the vendor registered. 3. Vendors require payment prior to issuance of gift cards. 4. Juvenile Court is not allowed to pick-up A/P check(s) to deliver to the vendor to receive the gift cards. 5. Increased turnaround time for invoice to be processed and payment to be mailed. 6. Merchants may fail to establish themselves as vendors, which would prohibit the purchase of merchant gift cards.

Juvenile Court can either continue with their current gift card incentive procurement process (see current process in chart above) or utilize the County’s vendor process to procure merchant gift cards (see proposed process in chart above). The merchant fees and unused gift card balances associated with Juvenile Court’s current process is immaterial and the associated internal

controls are adequate. Utilizing the County's vendor process will prevent outstanding gift card balances and eliminate merchant fees.

Conclusion

Based upon the results of our review we determined that Juvenile Court had adequate internal controls over its gift cards. However, we noted one area of weakness, Juvenile Court's current Court Program Incentives Policy does not accurately depict what actually occurs within the department and two areas for enhancement pertaining to the assessed merchant fees and outstanding gift card balances. The Office of Internal Audit will continue to randomly monitor and review the Juvenile Court gift card process.

Please provide a written response to this audit within 30 days. You may email your response to the County Manager and Brigitte Bailey, Administrative Coordinator III in the Office of Internal Audit at Brigitte.Bailey@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.