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Auditor-Controller

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Tracy A. Schulze
Auditor-Controller

January 14, 2014

Ms. Mary Butler
Department of Probation
Napa County
Napa, CA 94559

We have reviewed the Department's internal controls over custody, issuance, receipt and tracking of merchant gift cards as of and for the fiscal years ended June 30, 2012 and June 30, 2013. We have noted the areas below where we believe improvements are needed and have discussed recommendations where appropriate. An update of the status of implementing the fiscal year 2008/2009 findings has been included as Attachment A.

We appreciate the assistance provided by the Probation staff in making financial records and related information available to us during our review. We also appreciate you providing management's views on our findings and recommendations, as well as your planned corrective actions, and their timing and format. We did not audit the Department's response and, accordingly, we express no opinion on it.

A summary of procedures with reportable findings are as follows:

Cash Disbursements

Procedure: We reviewed 25 of the 381 gift cards issued during the year ended June 30, 2012 and 25 of the 473 gift cards issued during the year ended June 30, 2013 to verify the following items:

- Issuance is approved by supervising legal clerk or senior legal clerk
- Issuance is signed by an officer receiving the gift card
- Issuance is signed by individual receiving the gift card (except if it is a unit)
- Issuance is recorded in control log
- Issuance reason is in line with Departmental purpose or donor's intention

The following exceptions were noted during our review of cash disbursements:

Exception 1: Signature of Issuer: It was noted that two (2) out of twenty-five (25) gift cards sampled for the year ended June 30, 2012 were issued without the signature of the supervising legal clerk or the senior legal clerk.

Cash Disbursements (Continued)

Exception 1: Signature of Issuer: (Continued)

It was noted that one (1) out of twenty-five (25) gift cards sampled were issued without the signature of the supervising legal clerk or the senior legal clerk on the control log for the year ended June 30, 2013.

Exception 2: Signature of Recipient: It was noted that two (2) out of twenty-five (25) gift cards sampled were issued for the year ended June 30, 2012 without the signature of the Probation Officer on the control log.

According to Probation's Policy and Procedures, fiscal staff will issue gift certificates/bus passes and a log to designated probation staff. The Probation Officer is required to sign the log indicating that they have received the gift cards/bus passes.

Recommendation 1 & 2: We recommend when gift cards are disbursed, the issuance is approved with an authorized signature on the control log. The officer or individual receiving the gift card are also required to sign the control log. According to the Policy and Procedures, the legal clerk or the senior legal clerk are authorized to disburse, maintain and approve gift card issuances.

Management's Response 1 & 2: The department concurs with the recommendation and the policy has been enforced.

Control Logs

Procedure: We reviewed the Control Logs to verify the following items:

- Copies of control logs were retained
- Gift cards on hand agree with control logs
- All gift cards are accounted for and recorded on the control log
- Balances and partial balances are noted on control log
- Date of issuance and date acquired is accurate

The following exceptions were noted during our review of the control logs:

Exception 3: Unaccounted Gift Card: There was one (1) instance where the gift card could not be located in the batch after the gift cards were purchased for the year ended June 30, 2012.

- Jamba Juice (\$5) – The Department subsequently contacted the merchant who was unable to replace the unaccounted gift card.

Exception 4: Gift Cards Not Recorded: There were two (2) instances where the gift card number was not recorded on the control log for the year ended June 30, 2012.

Control Logs (Continued)

Exception 5: Date Not Recorded On Log: It was noted that two (2) out of twenty-five (25) gift cards sampled were distributed without the issue date recorded on the control log for the year ended June 30, 2012.

Exception 6: Balances Not Recorded On Control Log: We noted seven (7) control logs where the balances were not recorded for the year ended June 30, 2012 and five (5) control logs where the balances were not recorded for the year ended June 30, 2013.

Exception 7: Control Logs Not Utilized: We noted two (2) instances where control logs were not utilized for the year ended June 30, 2013.

Recommendation 3 to 7: We recommend the following:

- Gift cards are counted at the time of purchase in the presence of the merchant. This would ensure accountability for all gift cards purchased and received.
- Record the gift card number and amount on the control log once the gift cards are purchased. This would provide a tracking system for each individual gift card disbursement.
- The issue date and actual balance of the gift cards on hand should be recorded on the revised version of the control log.
- According to the Probation's Policy and Procedures, a control log should be issued for the purchase of all gift certificates and bus passes.

Management Response 3 to 7: The department has implemented the first three recommendations in 2012 and 2013. Staff have been trained to adhere to the Policies and Procedures.

Policy and Procedures

Procedure: We reviewed the Policy & Procedures for Gift Cards and Bus Passes for the years ended June 30, 2012 and June 30, 2013 to verify that the procedures are updated and include all relevant information pertaining to the fund.

Exception 8: Gift Card Disbursement: It was noted that the process for disbursing gift cards and bus passes requires enhancement in the Policy and Procedures.

Recommendation 8: It is recommended that the Department revise the current Policy and Procedures. The following is a list of suggested topics for enhancing the process of disbursing gift cards and bus passes.

- The Control Log is:
 - Approved and signed by the supervising legal clerk or the senior legal clerk
 - Signed by the Officer/Individual receiving gift card
 - Signed by the recipient of the gift card (except if it is a unit)

Policy and Procedures (Continued)

Recommendation 8: (Continued)

- The issuance is recorded in control log and includes:
 - Date of Issuance
 - Gift Card Number
 - Name of Issuer
 - Name of Recipient
 - Name of Individual receiving disbursement (unless it's a unit)
 - The reason for the issuance, which must be in line with Departmental purpose or donor's intention

Management Response 8: The department will revise its Policy and Procedure to incorporate the suggested topics to enhance the disbursement of gift cards and bus passes.

Exception 9: Receipt of Gift Cards and Maintenance of Logs: It was noted that the procedures for completing the control logs for the receipt of gift cards require enhancement in the Policy and Procedures.

Recommendation 9: It is recommended that the Department revise the Policy and Procedures. The following is a list of suggested topics for enhancing the process of maintaining the control log for the receipt of gift cards and bus passes:

- Verify that
 - Gift cards on hand agree with control logs
 - Balances and partial balance are noted on control log
 - The date the card is acquired is accurate and recorded in the log
- Determine Control log Retention

Management Response 9: The department will revise its Policy and Procedures to incorporate the suggested topics to enhance the disbursement of gift cards and bus passes.

Exception 10: Gift Card/Bus Pass Purchase: It was noted that the procedures for purchasing gift cards/bus passes require enhancement.

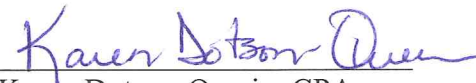
Recommendation 10: It is recommended that the Department revise the Policy and Procedures to include that the "Request to Purchase" form must be completed and approved by the Manager or Program Director in advance for each purchase.

Management's Response 10: The department revised its Policy and Procedures on 10/28/13 as stated in Recommendation 10.

We appreciate the opportunity to be of service to the Napa County Department of Probation. If you have any questions, please contact Karen Dotson-Querin at (707) 253-4588.

Thank you,

Tracy A. Schulze
Auditor-Controller

By 
Karen Dotson-Querin, CPA
Internal Audit Manager

ATTACHMENT A

PROBATION DEPARTMENT GIFT CARD AUDIT STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS FOR FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2013

Findings and Recommendations Fiscal Year Ended June 30, 2009

Current Status of Recommendation As of June 30, 2013

Year End Balance

Exception 1: The June 30, 2009 value of gift cards provided by the Department to the Auditor-Controller for purposes of the Napa County Financial Statements was \$7,700.16.

Based on our calculations, the year-end balance was \$7,846.36. We noted that a year-end reconciliation was provided, but the balance did not reflect the activity for all gift cards on hand.

Recommendation 1: The difference in the gift card balance is immaterial within the Napa County Financial Statements, however, we recommend comparing the closing balance of the prior year to the closing balance of the current year and account for the acquisition and issuance of gift cards throughout the current year to prove the completeness and accuracy of recording.

Gift Cards Found and Control Logs not Retained

Exception 2: During the review of the gift cards, it was noted that the following gift cards were in a cash drawer, but not included in the year end valuation and did not have control logs established at the time of our site visit.

Juvenile Drug Court Incentives (JDC)

- Target - One (1) gift card with a balance of \$11.40
- Cinedome – One (1) gift card in the amount of \$20.00
- Jack in the Box – Ten (10) \$5.00 gift cards for the aggregate amount of \$50.00
- McDonald's – Seven (7) \$5.00 gift cards for the aggregate amount of \$35.00

Child Welfare Services Outcome Improvement Projects (CWSOIP)

- AT&T – One (1) gift card in the amount of \$30.00

Implemented: During the review of gift cards for the years ended June 30, 2012 and June 30, 2013, we noted that the year end balance agreed with the gift card balances.

Partially Implemented: During the review of gift cards for the years ended June 30, 2012 and June 30, 2013, we noted that all gift cards were included in the year end valuation. We noted two (2) instances where a control log was not utilized in the year ended June 30, 2013.

ATTACHMENT A

PROBATION DEPARTMENT
GIFT CARD AUDIT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2013

Findings and Recommendations
Fiscal Year Ended June 30, 2009

Current Status of
Recommendation
As of June 30, 2013

Gift Cards Found and Control Logs not Retained

(Continued)

Recommendation 2: We recommend that all gift cards including cards with partial balances are included in the year-end balance report. It is recommended that control logs are maintained for each program and type of gift card (i.e., Target \$10.00 each, JDC; Target \$25.00 each, JDC). Control logs should be retained for a minimum of six (6) years or longer if required by a grant. Gift cards are essentially the same as cash. The controls for cash handling should be implemented in order to safeguard the gift cards.

Misplaced Gift Cards

Exception 3: During the count for the gift cards held for Juvenile Drug Court Incentives it was noted that one (1) Cinedome gift card in the amount of \$10.00 and one (1) Mervyn's gift card in the amount of \$20.00 could not be located in the cash drawer and were noted on the control log as missing.

Recommendation 3: We recommend that the inventory of gift cards be subject to random inventory checks to verify that the balance of unissued gift cards on site are equal to what is unissued per the gift card log.

Cash Disbursements

Exception 4a: Authorized Signature – It was noted that four (4) out of twenty (20) gift cards sampled were issued without the authorization of the Officer/Staff Services Manager on the control log.

Exception 4b: Signature of Recipient – It was noted that two (2) out of twenty (20) gift cards sampled were issued without the signature of the recipient on the control log.

Not Implemented: During the review of gift cards for the years ended June 30, 2012 and June 30, 2013, there was one (1) instance in 2012 of a misplaced gift card.

Partially Implemented: During the review of gift cards for the years ended June 30, 2012 and June 30, 2013, we noted a total of three (3) instances where the gift card was issued without a signature.

Partially Implemented: During the review of gift cards for the years ended June 30, 2012, we noted two (2) instances where the gift card was issued without the signature of the Officer. There were

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PROBATION DEPARTMENT GIFT CARD AUDIT STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS FOR FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2013

Findings and Recommendations Fiscal Year Ended June 30, 2009	Current Status of Recommendation As of June 30, 2013
<u>Cash Disbursements</u> (Continued)	no instances for the year ended June 30, 2013.
Exception 4c: Issuance Reason Not Provided – It was noted that fourteen (14) out of twenty (20) gift cards sampled were issued without a description or reason for issuance on the control log.	<u>Partially Implemented:</u> During the review of gift cards we noted ten (10) gift cards for the year ended June 30, 2012 and two (2) gift cards for the year ended June 30, 2013, where there was no documentation of purpose for issuance on the control log.
Recommendation 4: It is recommended that when gift cards are issued, issuance is approved with a signature from the Officer or Staff Services Manager on the control log, that the control log is signed by the individual who is receiving the card, and that the control log has an area designated for a description to verify that the issuance is in line with Departmental purpose or donor's intentions.	
<u>Control Logs</u>	
Exception 5 - Control Logs/Format: At the time of our site visit, the format of the gift card control log did not show the actual balance of gift cards on hand. We also noted that the format does not provide an area to describe the reason for the issuance.	<u>Partially Implemented:</u> During the review of gift cards for the years ended June 30, 2012 and June 30, 2013, we noted that the control logs were revised to include an area for the description as well as for the actual balance on hand for gift cards. However, We noted ten (10) revised control logs where the balances were not recorded for the year ended June 30, 2012 and two (2) revised control logs where the balances were not recorded for the year ended June 30, 2013.
Recommendation 5: We recommend revising the form to include the actual balance of gift cards on hand as well as an area to describe the reason for the issuance. Also, if the recipient is not an individual, then the unit should be included as well.	
<u>Reconciliation</u>	
Exception 6: Gift Card Reconciliation/Timely- It was verified that the monitoring and reconciliation of gift card inventory occurred annually for the fiscal year ended June 30, 2009 on July 16, 2009. However, it was noted that no other reconciliations were performed during fiscal year 2008/2009 or from July 16, 2009 through May 12, 2010.	<u>Partially Implemented:</u> During the review of gift cards for the year ended June 30, 2012, we noted that although the reconciliations were performed for each quarter, there was no date or signature by the

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PROBATION DEPARTMENT
GIFT CARD AUDIT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2013

Findings and Recommendations Fiscal Year Ended June 30, 2009	Current Status of Recommendation As of June 30, 2013
<p>Reconciliation (Continued)</p> <p>Recommendation 6: It is recommended that a count of gift cards on hand and a reconciliation of the count to the control log be performed quarterly. This will enhance accountability over the gift cards.</p> <p>Exception 7: Reconciliation/Completeness – Upon review of the reconciliation, it was noted that the document is prepared by the Senior Account Clerk and electronically sent to the Staff Services Manager for review. A hard copy is also submitted. It was confirmed that the Staff Services Manager reviewed the reconciliation as demonstrated with notes and comments, but the reconciliation did not have the Preparer's and Staff Services Manager's signature or date that the reconciliation was reviewed.</p> <p>Recommendation 7: We recommend that if the employee performing the work submits the reconciliation electronically, to include their name or initials and the date prepared on the document and to save the email in an archive folder, which would substantiate the date and identity of the preparer. If the reconciliation is submitted by hardcopy, it is recommended that the preparer performing the work as well as the Staff Services Manager reviewing the work sign and date the reconciliation.</p>	<p>preparer or reviewer to indicate if the reconciliation was performed in a timely manner.</p> <p>During the review of gift cards for the year ended June 30, 2013, we noted that three (3) of the four (4) quarterly reconciliations were not performed in a timely manner.</p> <p><u>Partially Implemented:</u> During the review of gift cards for the year ended June 30, 2012, we noted that although the reconciliations were performed for each quarter, there was no date or signature by the reviewer to demonstrate that the reconciliations were reviewed.</p> <p>During the review of gift cards for the year ended June 30, 2013, we noted that three (3) out of the four (4) quarterly reconciliations were not performed in a timely manner.</p>