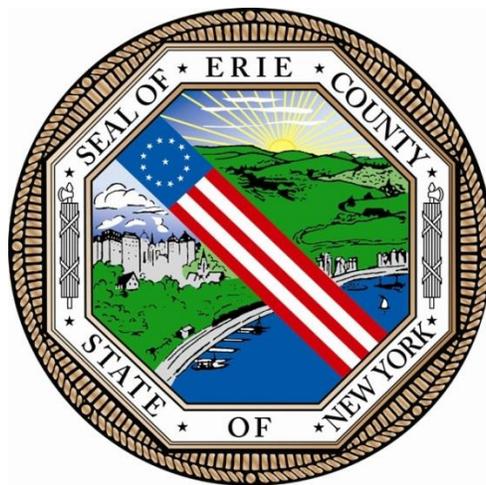


JANUARY 2019

**ERIE COUNTY DEPARTMENT OF HEALTH PERFORMANCE
AUDIT OF THE PURCHASE & DISBURSEMENT OF GIFT CARDS
JANUARY 1, 2014 THROUGH APRIL 30, 2018**



**STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER**

**HON. STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER'S OFFICE
DIVISION OF AUDIT & CONTROL
95 FRANKLIN STREET
BUFFALO, NEW YORK 14202**



September 18, 2018

Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Dear Honorable Members:

The Erie County Comptroller's Office has completed a performance audit of the operating procedures and processes handled by the Erie County (County) Department of Health (Health) with respect to the purchasing and disbursement of gift cards for the period January 1, 2014 through April 30, 2018.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Our objectives were to evaluate the effectiveness of internal controls over policies and procedures related to departmental purchasing of gift cards; determine if documentation and recordkeeping practices supporting the approval to purchase gift cards is complete and adequate; and an assessment of compliance with appropriate County policies and procedures of the purchasing function related to gift cards. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not evaluate the reliability and integrity of the purchasing and disbursement transaction data obtained from the County's SAP Software, since this system is reviewed by the County's external auditors as part of their annual audit of the County's financial statements. While we reviewed the hard-copy documents obtained from this system, we do not express any opinion or conclusions about the reliability or accuracy of such records since we did not audit the internal controls of their system.

Management of Health is responsible for establishing and maintaining a system of internal control. The objectives of such a system are to provide management with reasonable, but not absolute, assurance that transactions are executed in accordance with management's authorization and are recorded properly. Because of inherent limitations in the system of internal control, errors or irregularities may nevertheless occur and not be detected.

In our opinion, for the audit scope period examined, Health's operating procedures and processes with respect to purchasing and disbursing gift cards are adequately designed. Transactions were complete, accurate, and followed the department's policies and procedures.

No specific matters adversely affecting compliance with applicable laws, rules, and procedures came to our attention, except as disclosed in this report. Our audit was made for the purpose previously described, and would not necessarily disclose all instances of non-compliance with respect to areas of operations not audited.

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BACKGROUND

The Health Department serves the communities and individuals within the County by providing various essential public health services. The Department is broken down into six (6) divisions – Public Health Services, Correctional Health Services, Emergency Medical Services, Public Health Laboratories, Office of the Medical Examiner, and Services for Children with Special Needs. The mission of the Health Department is to promote and protect the health, safety and well-being of Erie County residents through active prevention, education, enforcement, advocacy, and partnerships. Annually, Health is awarded with numerous grants to carry out their mission, each with their own specific purpose. Through grant monies, gift cards are purchased and used as incentives or rewards for participation in a grant's program. Health is responsible for the appropriate purchasing and disbursement of these gift cards.

SUMMARY OF TESTING

The objectives of the audit were accomplished through review of policies and procedures, interviews with personnel, a site visit, and testing of controls. We interviewed all staff involved in the process of purchasing and disbursing gift cards. This included employees at the Erie County Family Planning Center at 608 William Street.

We selected and tested a sample of grants, from which all revenues to purchase gift cards are derived, and made comparisons between the original purchase request and the actual amount spent on gift cards. Purchase orders and requisitions were also reviewed for supporting documentation and record retention practices. Interviews with personnel supported the department's procedures for purchasing gift cards. Our testing did not identify any weaknesses in the department's purchasing of gift cards.

Once gift cards are received, the program manager gives a specified amount of gift cards to each staff member for disbursement to clients. Gift cards are stored in safes before they are disbursed. As part of our employee interviews, we also observed each safe used to store gift cards. The department's physical controls over gift cards appear adequate.

A sample of logs that are maintained to track the disbursement of gift cards were selected and vouched to original purchase orders. Logs were also reviewed for completeness. No significant weaknesses were identified in the disbursing of gift cards, but records lacked consistency and gift cards could not easily be traced from purchase to disbursement.

AUDITOR'S COMMENTS

GIFT CARD LOGS

As part of the process of disbursing gift cards, "Gift Card Logs" are kept to record the type of gift card and amount, gift card number, date, recipient's name or ID number, recipient's signature, and a sign off from the employee disbursing the gift cards. The "Gift Card Logs" are initially prepared by Health's Accounting Department once the gift cards are received from the vendor. When the gift cards are picked up by the requester, they also receive a corresponding "Gift Card Log" that must be completed and returned to the Accounting Department. Our testing showed inconsistent formatting and preparation of logs. Some logs were not complete or were missing. Due to inconsistency, it was difficult to trace gift cards from purchase to disbursement.

Health's Accounting Department has recently implemented revised policies and procedures for purchasing gift cards, which includes the preparation of "Gift Card Logs" and compensates for the inadequacy previously stated.

GIFT CARD THEFT

On August 28, 2015, there was a break-in at the Erie County Family Planning Center at 608 William Street. A police report was filed and as a result, twenty (20) gift cards were stolen for a total of \$200 (each gift card was worth \$10). The stolen gift cards included cards from Target, Wegmans, Walmart, and Tops. The stolen cards were able to be cancelled by the vendors and were replaced. After the theft occurred, new locks were installed on doors and windows. During our site visit to the clinic we observed the location of each safe where gift cards are stored. Each safe had adequate physical safeguards in place to prevent theft from occurring.

According to the County of Erie's Cash Management Accounting Policies, "all documented losses amounting to more than \$20.00, except corrected shortages resulting from accounting or calculation errors, must be reported to the Comptroller's Office." The theft on August 28, 2015 was not reported to the Comptroller's Office. All thefts should be reported to the Comptroller's Office so an examination of controls can take place to identify any weaknesses. Even though the gift cards were able to be cancelled and replaced, the incident was not reported to the Comptroller's Office. **WE RECOMMEND** that any thefts amounting to more than \$20, regardless of whether the items are able to be recovered or refunded, be reported to the Comptroller's Office.

RESULTS OF EXIT CONFERENCE

An exit conference was held on December 21, 2018 with the Commissioner of Health, members of her staff and representatives from Budget and Management.

The contents of the draft audit report were reviewed. There was no objection to the content of the report and the auditee was in general agreement with the information it contained. We were provided with the department's written response to the audit report, which we have included in Appendix A.

The Erie County Comptroller's Office would like to thank the Commissioner and staff of the Health Department for the courtesy and timely cooperation extended to us during the audit.

ERIE COUNTY COMPTROLLER'S OFFICE

Cc: Hon. Mark C. Poloncarz, County Executive
Dr. Gale Burstein, Commissioner of Health
Robert W. Keating, Director of Budget and Management
Erie County Fiscal Stability Authority

APPENDIX A

HEALTH'S RESPONSE TO THE AUDIT REPORT



COUNTY OF ERIE

MARK C. POLONCARZ

COUNTY EXECUTIVE

GALE R. BURSTEIN, MD, MPH
COMMISSIONER OF HEALTH

December 12, 2018

Stefan I. Mychajliw
Erie County Comptroller
92 Franklin Street, 4th Floor
Buffalo, New York 14202

RE: ECDOH Performance Audit of the Purchase & Disbursement of Gift Cards

Comptroller Mychajliw:

This letter is to acknowledge that I am in receipt of the draft copy of your office's Audit of the Erie County Department of Health (ECDOH)'s use of gift cards. I was pleased to note that overall your audit found that the policies and procedures around the use of gift cards have no significant weaknesses and that physical controls over the cards are adequate. Your draft audit did provide two comments regarding Gift Card Logs and Gift Card Theft.

Thank you for noting that ECDOH has revised its policies and procedures regarding Gift Card Logs to standardize log formatting and preparation.

Finally, based on your audit's recommendation, going forward I will ensure that in addition to notifying law enforcement as ECDOH appropriately has done, for any documented losses over \$20 ECDOH will also report the loss to your office.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gale R. Burstein".

Gale R. Burstein MD, MPH, FAAP
Erie County Commissioner of Health

GRB/bqs

CC: Hon. Mark C. Poloncarz, County Executive
Robert W. Keating, Director of Budget and Management
Erie County Fiscal Stability Authority