

Internal Controls, Separation of Duties, and Documentation for Gift Cards and Cash Assistance

The goal of grant related internal controls and separation of duties is to effectively reduce the risk of fraud and misuse of funds as well as provide reasonable assurance any funding specific requirements (Federal and state regulations, etc.) are followed.

Suggested Internal Controls, Segregation of Duties, and Documentation for Gift Cards:

Purchase of Gift Cards: Every effort should be made to purchase gift cards that do not allow the purchase of unallowed items (such as alcohol, firearms, etc.) and are made from proper vendors.

- Individual purchasing gift cards should be independent of gift card custody.
- Receipts should be retained and reconciled to the gift cards purchased by an individual other than the purchaser and kept with the gift card log (to support the value of the gift cards on hand).
- After this initial reconciliation, gift cards should be kept on a log or register noting at least the date purchased, gift card vendor, \$ value of the gift card purchased, date issued, who it was issued to (client ID #, name, etc.), authorizing signatures/approval (for issuance) as well as the total \$ amount of gift cards on hand.
- Proper accounting on the general ledger should be maintained throughout the gift card purchase and issuance process.

Custody of Gift Cards:

- The gift cards should be kept in a locked environment with restricted access.
- Random periodic reconciliation, by an individual other than the custodian(s), should be performed of the receipt(s) and the gift card log or register to the \$ amount of gift cards on hand to make sure the gift cards on hand agree with the log or register.
- Periodic reconciliation should also include checking to make sure gift cards have not been used while in custody and retained with a lower \$ amount than the original purchase amount.
- The date of the reconciliation should be recorded along with the signature of the person performing it and the results (\$ amount reconciled, any errors/issues noted, etc.), and retained on file.
- Proper accounting on the general ledger should be maintained throughout the gift card purchase and issuance process.

Issuance of Gift Cards:

- The gift card log should include an issuance date to note the date each gift card was issued, and documentation should include a signature of the custodian and appropriate supervisor who authorized the issuance of the gift card (on gift card log, pen/electronic signature on a separate payment log or report, etc.).
- Documentation should be retained to support the client/individual was eligible to receive the gift card (i.e. the client ID # can be included on the log or register to reference the client file where the eligibility information is kept, etc.).
- Proper accounting on the general ledger should be maintained throughout the gift purchase and issuance process.

Suggested Internal Controls, Segregation of Duties, and Documentation for Cash Assistance:

- Make sure the application is completed and properly signed prior to moving the application forward and any changes to the form should be properly documented (email from Intake Analyst, etc.).
- An individual other than the Intake Staff should perform the steps related to issuing assistance to double check gift card balances, cross check names to ensure payments are being made to correct individuals, etc.
- If a separate individual is unable to perform this function due to limited staff then another option would be to have supervisory approval (for the \$ amounts issued, cross checking names to ensure payments are being made to correct individuals, etc.) that is documented and retained for future reference.
- Documentation should be retained to support the cash assistance was actually issued such as: check register, bank statement showing transfer(s) that tie to cash assistance records, etc.
- The email from the Program Analyst should be included in a file together with the rest of the documentation (application, any communications regarding the file, payments and related approvals, email stating client successfully completed any/all requirements and can receive the remaining balance of the assistance, documentation supporting assistance was paid to clients, etc.) to make sure there is an audit trail from start to finish.
- The second payment should be properly documented and approved in the same manner as the first payment.

Alternative measures may be taken to increase efficiency, but the goals of the internal controls and segregation of duties should remain the same.

Policy should be created to outline the controls, procedures, frequency, and who is responsible for performing the procedures. This seems like a lot of work, but this documentation will help protect your agency as well as the individuals involved in the gift cards and cash assistance process.

When you are doing this process try and retain documentation like you would for any other Federal grant expense and try to think like an auditor:

- Is this expense allowable
 - Gift Cards – Proper client eligibility documentation retained in the file
 - Cash Assistance – Properly completed and signed application received from the Program Analyst and retained on file
- Is one person involved in two or more steps in sequence without properly documented oversight such as approvals, etc? If so, Segregation of Duties should be examined.
- Is there documentation (to the extent possible) to support this transaction from start to finish? This could be done by signed paperwork, screenshots, emails, etc.
- Can this expenditure be traced to the general ledger and financial report (FSR, etc.)

I was involved in a monitoring engagement for gift card theft. The individual purchased gift cards and then used a portion of the original balance and placed them back in custody of the non-profit with only a small amount of the original purchased balance remaining.

Let me know if you have any questions or comments on this, thanks!