



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

MEMORANDUM

TO: Trent Rhorer, Executive Director
Human Services Agency

FROM: Mark de la Rosa, Director of Audits
Audits Division, City Services Auditor 

DATE: February 1, 2023

SUBJECT: **The Human Services Agency Needs to Improve Controls Over Gift Cards to Prevent Loss and Misappropriation**

EXECUTIVE SUMMARY

The Office of the Controller (Controller), City Services Auditor (CSA), Audits Division, audited the controls over gift cards that the Human Services Agency (Human Services) of the City and County of San Francisco (City) uses to mitigate the risk of loss or misappropriation and found they need improvement. Human Services should update its policies and procedures to better comply with city rules for handling and distributing gift cards and should strengthen its oversight of community partners to ensure that their policies and procedures adhere to city guidelines and that their staffs adequately follow policies and procedures.

BACKGROUND, OBJECTIVE & METHODOLOGY

Background

Human Services. Three city departments make up Human Services: the Department of Benefits and Family Support, Department of Disability and Aging Services (DAS), and Office of Early Care and Education. Together, these departments deliver essential services to San Franciscans by partnering with neighborhood organizations and advocating for public policies to improve well-being and economic opportunities for individuals, families, and communities. Human Services provides or connects more than 225,000 San Franciscans with over 60 essential services. With an annual budget of over \$1 billion, Human Services delivers dozens of publicly funded programs, works with other levels of government, and funds strategic partnerships with community-based providers to further their goals.

Gift Card Programs. Human Services buys and distributes gift cards as program incentives for its clients and community partners. Specifically, Human Services provides gift cards to 19 programs that

either it or its community partners administer. In addition to other services, these programs offer gift cards to their clients for reasons such as to enable the feeding of vulnerable populations, to incentivize the completion of short-term wellness goals, and to provide COVID-19 emergency disaster relief. The gift cards include those from Target and Safeway, as well as Visa ReliaCards, which are prepaid debit cards. In less than four years, from August 15, 2017, through March 8, 2021, Human Services spent \$2,780,149 to buy gift cards for 19 programs.

Exhibit 1 lists the eight gift card programs we selected to audit, which represent 92 percent of Human Services' gift card spending during the audit period.

Exhibit 1: Human Services bought over \$2.5 million in gift cards on behalf of eight programs from August 15, 2017, through March 8, 2021

Program Name	Type of Gift Card	Value of Gift Card	Program Purpose	Amount Expended Through March 8, 2021
Black Infant Health^a	Target	\$599	Distribute emergency financial support to low-income clients.	\$71,640
Chinese for Affirmative Action^a	Visa ReliaCard	\$200-599	Distribute emergency disaster relief to individuals experiencing food insecurity or unemployment related to the COVID-19 pandemic.	\$276,730
Department of Disability and Aging Services (DAS)^b	Safeway	\$50	Provide equipment, staffing, and other infrastructure to modify services during the COVID-19 pandemic for the senior/disability food and nutrition network.	\$95,000
Families Rising^a	Target	\$25	Provide incentives for clients to participate and complete social group activities facilitated by the Department of Public Health.	\$60,000
First 5^a	Visa ReliaCard	\$400-599	Distribute emergency disaster relief to individuals experiencing food insecurity or unemployment related to the COVID-19 pandemic.	\$702,963
Healthy SF^a	Safeway	\$200	Support low-income, undocumented households participating in the program.	\$499,890
SisterWeb^a	Visa ReliaCard	\$599	Distribute emergency disaster relief to those experiencing food insecurity or unemployment related to the COVID-19 pandemic.	\$44,326
Transition Age Youth^{a, c}	Visa ReliaCard	\$220	Distribute emergency food relief to single transition age youth who are experiencing income and food insecurity related to the COVID-19 pandemic and have not received benefits from other city programs.	\$798,250
Total				\$2,548,799

Notes:

^a Program is funded by Give2SF COVID-19 Response and Recovery Fund.

^b According to Human Services management, DAS distributes gift cards to eligible recipients through three subrecipient community partners: Shanti Project, Homebridge, and the In-Home Supportive Services system (in which Human Services' partners are the IHSS Public Authority and Homebridge).

^c Transition age youth are persons aged 18 to 24 receiving Medi-Cal benefits through Human Services. Human Services distributes gift cards for this population.

Source: City financial data and community partner policies and procedures

According to Human Services' management, in July 2020 the department transferred the responsibility for gift card administration from its Office of Contract Management to its Fiscal Operations and Distribution Unit (Fiscal Unit).

Give2SF. On February 25, 2020, Mayor Breed declared a local emergency in relation to the spread of the COVID-19 virus and its threat to the welfare of San Franciscans. To address this threat, in March 2020 Mayor Breed authorized the Controller to accept and expend donations to further the City's efforts to respond to the emergency, thus establishing the Give2SF COVID-19 Response and Recovery Fund (Give2SF). The money and goods donated to Give2SF have been used to provide shelter, food, financial assistance, and other assistance to individuals and families in San Francisco adversely affected by the emergency.

To assist San Franciscans adversely affected by the COVID-19 pandemic, the City approved and disbursed close to \$7 million from Give2SF to Human Services to improve residents' food security. Several Human Services gift card programs received Give2SF funds, including some of the programs listed in Exhibit 1.

Objective

The audit's objective was to determine whether Human Services' controls over gift cards are sufficient and appropriate.¹ Specifically, the audit aimed to determine whether:

- Human Services has adequate procedures for purchasing, storing, and distributing gift cards.
- Human Services sufficiently monitors community partners' compliance with city guidelines.
- Community partners have appropriate controls to safeguard gift cards and ensure they are distributed only to eligible clients.

The audit considered gift cards and Visa ReliaCard prepaid debit cards that Human Services bought or distributed to community partners from January 2020 through March 2021. The audit purposefully selected and reviewed additional information for the eight programs listed in Exhibit 1.

Methodology

To achieve the objective, we:

- Interviewed Human Services staff involved in gift card administration.
- Reviewed gift card program data from the City's financial system.
- Purposefully selected eight programs to analyze their internal controls.
- Reviewed relevant policies and procedures of selected community partners maintained by Human Services and compared them against the Controller's Accounting Policies and Procedures for city departments.²
- Distributed a survey to ten community partners that received gift cards from Human Services and reviewed their responses on how they handle, distribute, and monitor gift cards.

¹ Human Services provides most of the gift cards it buys to its community partners for distribution to clients but also directly distributes some gift cards to clients.

² The audit fieldwork was conducted before community partners' adherence to IRS Form 1099-MISC reporting requirements were added to the Controller's Accounting Policies and Procedures in 2022.

- Reviewed documentation maintained by Human Services and a sample of eight community partners.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The Audits Division is independent per the GAGAS requirements for internal auditors.

RESULTS

Finding 1: Human Services' control weaknesses over gift cards put cards at risk of loss or misappropriation.

Finding 1.1: Human Services' policies and procedures for gift card handling and distribution need improvement.

Human Services' policies and procedures for gift card handling need improvement to prevent risk of loss or misappropriation by the department. For example, the department's policies and procedures do not require physical inventory counts to be verified against packing slips. With no requirement to reconcile physical inventory counts against what was received, the department cannot properly monitor its ability to store, disperse, monitor, and secure gift cards. The Controller's Accounting Policies and Procedures, which set accounting guidelines for the City, require departments to conduct physical inventory counts and match results to inventory records. Failing to reconcile physical inventory counts against packing slips increases the risk of theft or loss.

Performance measures for community partners' inventory counts are needed. Human Services does not require performance measurement systems for its community partners' physical inventory counts. In contrast, the Controller's Accounting Policies and Procedures require departments to use performance measurement systems to hold appropriate personnel accountable for accomplishing consistent and accurate physical inventory counts. By not having any such performance measurement system, the department is less able to monitor whether its staff is conducting accurate inventory counts.

Site visits at community partners are needed. According to Human Services management, its staff does not conduct site visits of community partners, which should entail a physical walkthrough of community partners' gift card distribution operations. Site visits would allow Human Services to monitor its community partners and ensure they handle gift cards in accordance with city policy. The Controller's Accounting Policies and Procedures state that management should periodically monitor that internal control procedures are complied with and documented.

By not performing site visits, Human Services cannot provide assurance that controls are being followed. The lack of visits could enable widespread control weaknesses at community partners that may put gift cards at greater risk of loss or misappropriation. In turn, this could increase the risk that gift cards may not be administered in accordance with city and department policy.

Prompt client eligibility updates are needed. Last, Human Services does not require updates to the eligibility status of clients recently deemed to be inactive or ineligible. According to the Controller's Accounting Policies and Procedures, clients must be found eligible to receive gift cards and must also continue to meet program eligibility requirements. Clients who become ineligible for a program should have their eligibility status immediately updated in the department's tracking system. Failing to promptly update the eligibility status of recipients increases the risk of resources being misappropriated because newly ineligible clients could continue to receive support.

Finding 1.2: Human Services needs to better adhere to its policies and procedures for purchasing, handling, and distributing gift cards.

In addition to strengthening its written policies and procedures, Human Services must also comply with existing policies to improve its safeguarding of gift cards. For example, its November 2019 policies state that program records and cards must be audited quarterly by conducting an in-person count. Since becoming responsible for the gift card process in July 2020, the Fiscal Unit had not audited its program documentation or gift cards as of May 2021. Human Services management stated that this was because the COVID-19 pandemic made inventory counts challenging to schedule as many staff were unavailable while working at home.

Periodic review and reconciliation of documentation and gift card inventory are needed.

Human Services cannot ensure that all gift cards are fully accounted for unless it periodically reviews and reconciles its documentation and gift card inventory. Regular monitoring is also needed to identify possible instances of fraud, theft, or abuse. By comparing gift card inventory on hand to corresponding documentation, Human Services will be able to identify, investigate, and resolve any discrepancies and use that information to address the cause of the errors.

In May 2021 the Controller's Accounting Operations and Systems Division directed Human Services to conduct a full inventory count of its gift cards. According to Human Services and a count conducted on July 11, 2022, all Human Services' gift cards were accounted for, but due to urgent circumstances, Human Services' executive leadership distributed 25 Target gift cards (totaling \$250) to an ineligible person who was not a client of the program to which the gift cards had been allocated. This management overrode controls, which could have resulted in a misuse of gift cards.

Duties must be segregated. Human Services does not adequately segregate duties for the physical handling of gift cards received by its offices despite guidance in its policies and procedures. Specifically, its 2019 policies and procedures designate different responsible parties for the following stages:

- Receiving gift cards
- Distributing gift cards
- Holding gift cards
- Monitoring gift card usage

However, Human Services reported that one of its offices had only one employee responsible for receiving, recording receipt of, storing, and distributing gift cards. Further, this one employee was responsible for updating the distribution logs that are used to account for and monitor the gift cards.

Also, at a Human Services' customer service center,³ a supervisor stated that two or three employees share responsibility for multiple steps in the physical management of gift cards.

When all or some of the responsibilities for inventory receipt, safeguarding, distribution, and documentation are performed by the same person, erroneous counts or misappropriations of gift cards may go unnoticed. If this occurred, Human Services would be unable to mitigate the risk of inventory shortfalls. For example, if the same employee both distributes gift cards and updates the inventory log, and another employee does not verify the amount actually distributed, the amount of inventory recorded as distributed could be over- or understated.

Gift cards must be allocated based on need and their use must be monitored. According to Human Services, it allocated gift cards to three DAS subrecipient community partners based on an estimate from its Department Operations Center (DOC).⁴ However, the estimates were not based on participation or eligibility figures. Consequently, one program distributed only 1 of the 500 cards Human Services allocated to it in a 12-month period, according to the program's executive director.

Without stronger operating controls to determine how many gift cards to distribute to each community partner and without monitoring whether the distributed cards are used, Human Services increases the risk that it may:

- Exhaust more financial resources than necessary to meet the needs of community partners, thus constraining resources that could be used for other community partners that have more eligible clients than available cards.
- Provide more gift cards to community partners than they can distribute in a timely manner, thus putting unused cards at greater risk of theft, loss, and fraud.

The Controller's Accounting Policies and Procedures state that the number of gift cards purchased for a program must not exceed the maximum quantity per period established by the department for that program. Also, any office that stores gift cards must hold no more of them than the program will need during a reasonable timeframe, which the department must establish in writing.

According to management, the Human Services DOC determined how many gift cards to distribute to community partners based on its understanding of how many cards would be needed to meet the rising food needs of older adults with disabilities who were unable to leave their homes during the COVID-19 shelter-in-place order. Despite the unprecedented nature of the COVID-19 pandemic, Human Services should still ensure it allocates and distributes only appropriate quantities of gift cards to its community partners to help prevent an excess of gift cards on hand. Doing so will decrease the risk of them being lost or stolen.

³ Human Services operates a customer service center that provides Electronic Benefit Transfer card pickup, a drop box for documents, and diaper pickup, among other services.

⁴ A DOC is an operational/logistical entity that serves as a city department's coordinating body during an emergency.

Recommendations

The Human Services Agency should:

1. Update its gift card policies and procedures to require:
 - a. Periodic reconciliation of physical inventory counts against packing slips.
 - b. Performance management systems to ensure staff conduct physical inventory counts accurately and in a timely manner.
 - c. Periodic site visits of community partners that maintain and distribute gift cards.
 - d. Immediate updating when a client's eligibility status changes to prevent ineligible clients from continuing to receive gift cards or gift card funds.
2. Adhere to its gift card policies and procedures, including by:
 - a. Periodically auditing gift card inventories and documentation.
 - b. Ensuring adequate segregation of duties for the physical handling of gift cards and maintenance of related documentation.
3. Use a quantifiable metric, such as established participation figures or population vulnerability metrics to determine how many gift cards it should provide to community partners.
4. Consider working with the Controller's Office in developing a written policy for executive exemptions to allow the distribution of gift cards in emergency circumstances.

Finding 2: Human Services must strengthen its oversight of community partners to mitigate weak controls.

Finding 2.1: Human Services does not ensure all community partners have complete and appropriate policies and procedures.

Human Services does not ensure that its community partners have policies and procedures that align with applicable city guidelines. The audit reviewed eight community partners' policies and procedures and found that none of them comply with city guidelines in key areas such as segregation of duties and having performance measurement systems. This noncompliance increases the likelihood of problems in the gift card handling and distribution process, such as loss, fraud, theft, or improper distribution.

Exhibit 2 below provides details about the deficiencies identified in all eight community partners' policies and procedures.

Exhibit 2: Community partners' gift card policies and procedures do not fully comply with city rules

Controller's Accounting Policies and Procedures	Community Partners' Gift Card Policies and Procedures
Inventory Receipt Verification	
<p>Staff must verify gift card types and quantities from shipments against the shipments' packing slips. Staff must also review, sign, and date the packing slips.</p>	<p>Four community partners' policies and procedures do not require staff to verify gift card information such as type and quantity against the shipments' packing slips. Also, their policies and procedures do not require staff to review, sign, or date the packing slips.</p>
Gift Card Eligibility Verification	
<p>Clients who become ineligible or inactive for the program or its benefits must have their eligibility status immediately changed to inactive or ineligible in the department's participant tracking system.</p>	<p>Five community partners' policies and procedures do not require staff to update client tracking systems regarding clients who have recently become ineligible to receive gift cards.</p>
Missing Inventory Procedures	
<p>Maintain complete and accurate inventory records, by gift card, gift card vendor, serial number, beginning/ending balance, gift cards received and distributed and corresponding dates.</p> <p>Restrict access to gift card inventory records to authorized employees.</p> <p>Conduct periodic physical inventory counts and match results to inventory records. Investigate any discrepancies, document them, and report them to management.</p>	<p>Two community partners do not state in their policies and procedures that staff should:</p> <ol style="list-style-type: none"> 1) Maintain complete and accurate inventory records. 2) Restrict access to inventory records. 3) Require periodic inventory counts. 4) Report and investigate discrepancies between physical inventory counts and inventory records.
City Employee Restrictions	
<p>Clients receiving gift cards cannot be city employees.</p>	<p>Four community partners have policies and procedures that lack a prohibition on city employees receiving gift cards.</p>
Prohibited Gift Card Purchases	
<p>Gift cards cannot be used to purchase prohibited items, as specified by the program.</p>	<p>Four community partners have policies and procedures that do not state that clients cannot use gift cards to purchase prohibited items.</p>

Controller's Accounting Policies and Procedures	Community Partners' Gift Card Policies and Procedures
Segregation of Duties	
<p>Departments must have a different person responsible at each stage in the handling and transfer of gift cards:</p> <ol style="list-style-type: none"> Request the order of gift cards Approve the order of gift cards Purchase the gift cards Receive the gift cards Distribute the gift cards Monitor usage of the gift cards Periodically inventory the gift cards 	<p>Four community partners' policies and procedures are deficient regarding segregation of duties requirements for the handling and transfer of gift cards. Specifically, the policies and procedures either have:</p> <ol style="list-style-type: none"> No segregation of duties protocols. Protocols that do not clearly state the employee responsible for each stage in the process of handling gift cards. A single employee assigned to multiple stages of the gift card handling and transfer process, such as both receiving and distributing gift cards.
Performance Measures	
<p>Use performance measurement systems to hold appropriate personnel accountable for accomplishing consistent, accurate physical inventory counts.</p>	<p>Four community partners' policies and procedures do not require any performance measure to hold staff accountable for conducting proper physical inventory counts of gift cards.</p>
Fraud and Abuse	
<p>Any instance of loss, theft, fraudulent use, or abuse of gift cards must be immediately reported to the department's fiscal office. The fiscal office should investigate instances of reported loss, theft, fraudulent use, or abuse of gift cards, as it deems necessary.</p>	<p>Three community partners do not have a requirement in their policies and procedures to report instances of gift card loss, fraud, theft, or abuse to Human Services' fiscal office.</p>

Source: CSA analysis of documentation from Human Services and community partners; *Controller's Accounting Policies & Procedures* (2017) for city departments

When community partners lack adequate policies and procedures intended to prevent gift card loss or misappropriation—such as those on proper segregation of duties, reviewing gift card packing slips, conducting inventory count performance measurements, or tracking updates to client eligibility statuses—this increases the risk that a community partner may:

- Become subject to a bad actor who can steal and/or misuse gift cards.
- Become subject to litigation and reputational loss if employees do not respond to fraudulent use, theft, or loss when it occurs.
- Miss discrepancies in gift card details.
- Distribute gift cards to ineligible clients.

Also, a lack of policies and procedures for staff to report suspected fraud or abuse increases an organization's risk of fraud and misconduct. According to the U.S. Government Accountability Office's *Standards for Internal Controls*, one risk factor for fraud is whether opportunities exist to commit fraud. This opportunity is heightened when internal controls are lacking or when managers can override internal controls.

Recommendation

5. The Human Services Agency should ensure its community partners update their policies and procedures to require that:
 - a. Staff reviews, signs, and dates packing slips.
 - b. The eligibility status of newly inactive or ineligible clients is immediately updated.
 - c. Gift card handling duties are appropriately segregated.
 - d. Performance measurements of physical inventory counts are conducted.
 - e. Any instances of fraud, waste, or abuse that are identified are addressed.

Finding 2.2: Community partners report not always following their policies and procedures when handling gift cards.

Community partners reported not always complying with their gift card policies and procedures, which increases the risks of loss and misappropriation of gift cards. In March 2021 we distributed a survey to ten community partners that receive gift cards from Human Services. We also collected documentation from the community partners to support their survey responses.

Exhibit 3 shows that eight of ten⁵ surveyed community partners reported not fully adhering to their policies and procedures when handling gift cards. As discussed in Finding 1.1, Human Services does not require site visits of its community partners, which would allow it to monitor its subrecipients and ensure they handle gift cards in accordance with city policy.

⁵ The two other community partners were responsible solely for Visa ReliaCards, which are mailed directly to clients by U.S. Bank. Because these community partners did not physically handle gift card inventory, the segregation of duties and physical inventory control requirements do not apply to them.

Exhibit 3: Surveyed community partners reported noncompliance with their policies and procedures for gift cards

Control Requirement ^a	Implementation Status at Community Partners ^b									
	1	2	3	4	5	6	7	8	9	10
1. Written policies and procedures	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
2. Sufficient processes to ensure appropriate number of gift cards are requested	Green	Green	Green	Green	Red	Red	Green	Red	Green	Green
3. Eligibility verification	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
4. Segregation of duties	Red	Blue	Red	Red	Red	Red	Blue	Red	Blue	Red
5. Physical inventory controls	Yellow	Blue	Green	Yellow	Green	Green	Blue	Yellow	Blue	Green
6. a. Disbursement and Inventory documentation	Green	Green	Green	Green	Green	Red	Red	Red	Green	Green
b. Visa ReliaCard disbursement and Inventory documentation	Blue	Green	Green	Green	Blue	Blue	Blue	Blue	Green	Green
7. Visa ReliaCard controls	Blue	Green	Green	Green	Blue	Blue	Blue	Blue	Green	Green
8. Fraud and abuse questionnaire	Red	Green	Green	Green	Green	Green	Green	Red	Green	Green

Notes:

^a Based on Controller’s Accounting Policies and Procedures and Human Services’ Policies and Procedures on Purchasing Gift Cards.
^b Community partners are identified here only by number to reduce the chance that a bad actor could use this information to exploit a weak control. Implementation status is based on survey responses and documentation provided by community partners.

Source: CSA observations; CSA analysis of documentation from Human Services and community partners; Controller’s Accounting Policies & Procedures (2017) for city departments

Legend

Green	Implemented – Effective Risk Mitigation
Yellow	Partially Implemented – Mitigating Some Risk
Red	Not Implemented – No Risk Mitigation
Blue	Not Applicable

Segregation of duties. All of the seven community partners expected to show proper segregation of duties⁶ reported having two or three of the same employees at every stage of card handling.





For example, multiple community partners stated that just one of their employees counts the gift card inventory, maintains custody of the inventory logs, and maintains custody of the gift cards. One community partner reported working with 23 family resource centers across San Francisco to distribute gift cards to its clients. Thus, according to this community partner, it cannot guarantee segregation of duties controls at each subrecipient site. Again, adequate segregation of duties helps prevent fraud and abuse.

Documentation to track gift card handling. Three of the ten community partners and DAS subrecipients lack adequate documents to track each stage of gift card handling. According to Human Services’ Policies and Procedures and the Controller’s Accounting Policies and Procedures, entities holding gift cards must have documentation to log both gift card inventory and the disbursement of gift cards. However, as shown in Exhibit 4:

- One community partner does not have clients sign to acknowledge they received gift cards.
- Two community partners do not use an inventory log to track the gift cards they maintain.
- Three community partners do not track the amount of money they distributed over time.

⁶ Three community partners did not require segregation of duties because they do not directly handle or transfer gift cards.

Exhibit 4: Some community partners are missing adequate documentation to support the different stages of gift card handling

	<p>All community partners have a disbursement log, document client eligibility, and keep track of missing/inactivated cards.</p>
	<p>1 of 10 community partners does not require clients sign to acknowledge gift card receipt.</p>
	<p>2 of 10 community partners do not use an inventory log to track gift cards for which they are responsible.</p>
	<p>3 of 10 Community partners do not track the amount of money they distribute via gift cards over time.</p>

Source: CSA analysis of survey responses and documentation from Human Services and community partners

Recommendation

- The Human Services Agency should perform site visits to ensure its community partners appropriately follow their policies and procedures to prevent the mishandling or misappropriation of gift cards.

cc: Human Services
 Joseph Huang
 Shane Balanon
 Nora Martin-White
 Christopher Tam

Controller
 Ben Rosenfield
 Todd Rydstrom
 Massanda D’Johns
 Hunter Wang
 Elaine Wong
 Juan Pacheco

Board of Supervisors
 Budget Analyst
 Citizens Audit Review Board
 City Attorney
 Civil Grand Jury
 Mayor
 Public Library

Appendix: Department Response



**SAN FRANCISCO
HUMAN SERVICES AGENCY**

Department of Benefits
and Family Support

Department of Disability
and Aging Services

January 18, 2023

Mr. Mark de la Rosa
Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: Agency audit response: Human Services Agency needs to improve controls over gift cards to prevent loss and misappropriation

P.O. Box 7988
San Francisco, CA
94120-7988
www.SFHSA.org

Dear Mr. Mark de la Rosa:

The Human Services Agency (HSA) has received and reviewed the final draft audit report regarding the Human Services Agency gift card policies and procedures. This letter is to confirm that, based upon the details provided, we agree with the audit results.

HSA appreciates the efforts and collaboration of CSA staff in the audit process. As a result, we have strengthened our gift card controls to alleviate the possibilities of misappropriations.

If you have any questions, please feel free to contact me at (415) 557-6540/trent.rhorer@sfgov.org and/or Joseph Huang, HSA Finance Director, at (415) 557-5181/Joseph.Huang@sfgov.org



London Breed
Mayor

Trent Rhorer
Executive Director

Sincerely,

A handwritten signature in black ink, appearing to read "Trent L. Rhorer".

Trent Rhorer
Executive Director

Attachments

- HSA Gift Card Audit Form
- HSA Gift Card Policy & Procedures
- HSA Contractor Gift Card Policy & Procedures

CC: Dan Kaplan
Joseph Huang
Shane Balanon
Christopher Tam
Nora Martin-White

Recommendations and Responses

For each recommendation, the responsible agency should indicate in the column labeled Agency Response whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Agency Response	CSA Use Only Status Determination*
The Human Services Agency should:		
<p>1. Update its gift card policies and procedures to require:</p> <ul style="list-style-type: none"> a. Periodic reconciliation of physical inventory counts against packing slips. b. Performance management systems to ensure staff conduct physical inventory counts accurately and in a timely manner. c. Periodic site visits of community partners that maintain and distribute gift cards. d. Immediate updating when a client's eligibility status changes to prevent ineligible clients from continuing to receive gift cards or gift card funds. 	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Agency has updated the Agency and Contractor Gift Card Policy & Procedures to incorporate the referenced recommendations. All recommendations were incorporated in the Agency's P&P in May of 2021 and were immediately implemented.</p> <p>Language updated in Agency Gift Card Policy & Procedures in following sections:</p> <p>Section III, a, 5: Periodic reconciliation of physical inventory counts against packing slips. Section XII, j, 1-2: Performance management systems to ensure staff conduct physical inventory counts accurately and in a timely manner. Section XII, a: Periodic site visits of community partners that maintain and distribute gift cards. Section XI, a, 2: Immediate updating when a client's eligibility status changes to prevent ineligible clients from continuing to receive gift cards or gift card funds.</p>	<p><input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
	<p>Language updated in Contractor Gift Card Policy & Procedures in following sections:</p> <p>Section II, A, 4: Periodic reconciliation of physical inventory counts against packing slips.</p> <p>Section VII, I, 1-2: Performance management systems to ensure staff conduct physical inventory counts accurately and in a timely manner.</p> <p>Section VII, B: Periodic site visits of community partners that maintain and distribute gift cards.</p> <p>Section VI, A, 2: Immediate updating when a client's eligibility status changes to prevent ineligible clients from continuing to receive gift cards or gift card funds.</p>	
<p>2. Adhere to its gift card policies and procedures, including by:</p> <ul style="list-style-type: none"> a. Periodically auditing gift card inventories and documentation. b. Ensuring adequate segregation of duties for the physical handling of gift cards and maintenance of related documentation. 	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Agency has updated the Agency and Contractor Gift Card Policy & Procedures to incorporate the referenced recommendations. Agency has already implemented and is actively conducting gift card inventories on a quarterly basis. Segregation of duties are now clearly defined to ensure duties are conducted by different staff within every step of the gift card receipt, holding, releasing and logging processes.</p> <p>Language updated in Agency Gift Card Policy & Procedures in following sections:</p> <p>Section XII, a: Periodically auditing gift card inventories and documentation.</p> <p>Section III: Ensuring adequate segregation of duties for the physical handling of gift cards and maintenance of related documentation.</p>	<p><input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
	<p>Language updated in Contractor Gift Card Policy & Procedures in following sections:</p> <p>Section VII, A & B: Periodically auditing gift card inventories and documentation.</p> <p>Section II: Ensuring adequate segregation of duties for the physical handling of gift cards and maintenance of related documentation.</p>	
<p>3. Use a quantifiable metric, such as established participation figures or population vulnerability metrics to determine how many gift cards it should provide to community partners.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Agency has updated the Agency and Contractor Gift Card Policy & Procedures to incorporate the referenced recommendation. This recommendation was incorporated in the Agency's P&P in May of 2021 and were immediately implemented.</p> <p>Language updated in Agency Gift Card Policy & Procedures in Section IV, b.</p> <p>Language updated in Contractor Gift Card Policy & Procedures in Section III, B.</p>	<p><input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>4. Consider working with the Controller's Office in developing a written policy for executive exemptions to allow the distribution of gift cards in emergency circumstances.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>The Agency will reach out, within the next three months, to the Controller's to draft a policy that allows for the distribution of gifts for emergencies.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
<p>5. Ensure its community partners update their policies and procedures to require that:</p> <ul style="list-style-type: none"> a. Staff reviews, signs, and dates packing slips. b. The eligibility status of newly inactive or ineligible clients is immediately updated. c. Gift card handling duties are appropriately segregated. d. Performance measurements of physical inventory counts are conducted. e. Any instances of fraud, waste, or abuse that are identified are addressed. 	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Agency has updated the Contractor’s Gift Card Policy & Procedures to incorporate the referenced recommendations. All recommendations were incorporated in the Agency’s P&P in May of 2021 and were immediately implemented.</p> <p>Language updated in Contractor Gift Card Policy & Procedures in following sections:</p> <p>Section II, A, 4 & 5: Staff reviews, signs, and dates packing slips. Section VI, A, 2: The eligibility status of newly inactive or ineligible clients is immediately updated. Section II: Gift card handling duties are appropriately segregated. Section VII, I, 1-2: Performance measurements of physical inventory counts are conducted. Section VII, F: Any instances of fraud, waste, or abuse that are identified are addressed.</p>	<p><input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>6. Perform site visits to ensure its community partners appropriately follow their policies and procedures to prevent the mishandling or misappropriation of gift cards.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Agency has updated the Agency Gift Card Policy & Procedures to incorporate the referenced recommendation. This recommendation was incorporated in the Agency’s P&P in May of 2021 and were immediately implemented. Since May of 2021, the Agency has implemented and performed these procedures during its site visits.</p> <p>Language updated in Agency Gift Card Policy & Procedures in Section XII.</p>	<p><input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team’s review of the agency’s response and proposed corrective action.