

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**



**Office of Integrity and Oversight**

January 25, 2021

Dr. Unique N. Morris-Hughes  
Department of Employment Services  
4058 Minnesota Avenue, NE  
Washington, DC 20019

Ms. Angelique Hayes Rice  
Government Operations Cluster  
441 Fourth Street, NW  
Washington, DC 20001

Dear Dr. Morris-Hughes and Ms. Rice:

This Final Report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO)'s Audit of the Internal Controls over the Gift Cards Program at the Department of Employment Services (DOES). The overall objective of the audit was to determine if DOES complied with applicable laws and regulations in administering the Gift Card Program.

We received your respective responses to the Draft Report on December 30, 2020. In the DOES agency response, several points were raised regarding the findings and the audit process. Our audit commenced in January 2020 and most of the documentation was requested and received, except where noted, prior to March 15, 2020. During the period of remote working, we continued to share our exceptions with each program's point of contact and in August 2020 we held a meeting to discuss what additional documentation was needed in order to complete our audit. Some programs provided additional documentation after that meeting; however, the responses did not fully address or resolve the findings identified.

Our audit provided seven (7) recommendations to address the deficiencies identified. The DOES and DOES/OCFO concurred with the seven (7) recommendations. The planned corrective actions provided are responsive and meet the intent of the recommendations. Your responses are included in their entirety as Appendices to this report.

We thank you and your staff for your assistance and cooperation throughout the audit. Should you have any questions related to the report, please contact me at (202) 442-6433; or Tisha Edwards, Director of Internal Audit, at (202) 442-6446.

Attachment

Sincerely,

*Timothy Barry*

Timothy Barry  
Executive Director

cc: Jeff DeWitt, Chief Financial Officer, District of Columbia  
Angell Jacobs, Deputy Chief Financial Officer and Chief of Staff, OCFO  
Marshelle Richardson, Chief Risk Officer, OCFO  
Gashaw Woldehanna, Cluster Controller, Government Operations Cluster, OCFO  
Natalie Mayers, Agency Fiscal Officer, DOES



Office of Integrity & Oversight

**Government of the District  
of Columbia, Office of the  
Chief Financial Officer**

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January 25, 2021

**AUDIT OF INTERNAL  
CONTROLS OVER THE  
GIFT CARDS PROGRAM  
AT THE DEPARTMENT  
OF EMPLOYMENT  
SERVICES (DOES)**



## Highlights

Highlights of Report 20-01-01 DOES, a report to the executive Director of the Department of Employment Services and the Associate Chief Financial Officer, Government Operations Cluster.

### Why OIO Did This Audit

The Office of Integrity and Oversight (OIO) performed this audit of the Department of Employment Services (DOES) Gift Card Program to determine whether it complied with applicable laws and regulations in administering the Gift Card Program. This audit was included in the OIO FY 2020 Audit Plan and was requested by the Associate Chief Financial Officer (ACFO) of the Government Operations Cluster (GOC).

### What OIO Recommends

We provided the DOES Executive Director and the Associate Chief Financial Officer, GOC with seven (7) recommendations for corrective action. Our recommendations include but are not limited to:

- Training gift card custodians to comply with the policies and procedures.
- Conducting weekly and monthly reconciliations as prescribed by the procedures.
- Ensuring that adequate oversight and monitoring is maintained by the AFO (or designee) as outlined in the policy.
- Requiring programs to document differences in the issuance of gift cards compared to the original request; especially when a different number of cards are being issued to participants for the completion of the same program.

January 25, 2021

## AUDIT OF INTERNAL CONTROLS OVER THE GIFT CARD PROGRAM AT THE DEPARTMENT OF EMPLOYMENT SERVICES

### What Did OIO Find

Five (5) programs within the Department of Employment Services (DOES) distribute gift cards to participants of employment training programs. The DOES Internal Controls & Accountability Protocols established the responsibilities of the Program Gift Card Custodians to administer the program and provided guidance to OCFO staff in monitoring the program.

**Inadequate governance and oversight of the Gift Card Program.** We found that the programs did not properly manage and account for gift cards and the OCFO did not provide adequate oversight to ensure gift cards were properly accounted for by the programs. Our audit revealed non-compliance with the procedures including incomplete or unavailable records, distribution log errors, lack of weekly and monthly reconciliations by the gift card custodians, and inconsistent monitoring and verification by the OCFO. As a result, there was a loss of accountability over gift cards and an increased risk of misappropriation. Addressing the deficiencies identified will enhance the control structure and ensure compliance with the programs' standard operating procedures.

**Distribution to Participants did not follow Gift Card Order Justification.** A review of the programs revealed discrepancies in the cards issued to participants. Inconsistent and unsupported differences between the justification for cards and the distribution to participants may contribute to the appearance of impropriety.

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## Abbreviations and Acronyms

<b>ACFO</b>	Associate Chief Financial Officer
<b>AFO</b>	Agency Fiscal Officer
<b>CFO</b>	Chief Financial Officer
<b>DCFO</b>	Deputy Chief Financial Officer
<b>DCIA</b>	DC Infrastructure Academy
<b>DOES</b>	Department of Employment Services
<b>DSI</b>	Division of State Initiatives
<b>MOU</b>	Memorandum of Understanding
<b>OAIT</b>	Office of Apprenticeship, Information, & Training
<b>OCFO</b>	Office of the Chief Financial Officer
<b>OFT</b>	Office of Finance and Treasury
<b>OIO</b>	Office of Integrity and Oversight
<b>OYP</b>	Office of Youth Programs
<b>POC</b>	Payment Operations Center
<b>SOP</b>	Standard Operating Procedure
<b>WFD-AJC</b>	Workforce Development – American Job Center

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## Background

The District's Department of Employment Services (DOES) mission is to connect District residents, job seekers, and employers to opportunities and resources that empower fair, safe, effective, working communities.<sup>1</sup> As part of their mission, DOES provides District residents with comprehensive employment services through distinct programs and services.

DOES issues gift cards as an incentive to reward program participants for participating in and completing job training programs, obtaining credentials, as well as obtaining and maintaining employment after completion of the DOES Program. Participants may receive one (1) or more gift cards with a value of \$25, \$50, or \$100. The programs that use the gift cards are the:

### *DC Infrastructure Academy (DCIA)*

The DCIA coordinates, trains, screens, and recruits' residents to fulfill the needs of the infrastructure industry and jobs with leading infrastructure companies. Programs and services include training for: Commercial Driver's License (CDL), Energy and Utilities, Auto Mechanic, OSHA 10, Solar Panel Installation, Interview Skills, and Job Fairs. Gift cards are primarily issued to the participants of the OSHA 10 Training Program.

### *Division of State Initiatives (DSI)*

The DSI is a major service provider within the District's re-entry and job training ecosystem and is committed to collaborating with government, non-profit, and private service providers in the Washington Metropolitan area to bring specialized services and support to transitional employment program participants. Gift cards are issued to participants on an ad-hoc basis and criteria are established when the gift cards are made available.

### *Office of Youth Programs (OYP):*

The OYP, as part of the larger Workforce Development Program within the DOES, provides several workforce-related activities for

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<sup>1</sup><https://does.dc.gov/page/about-does> September 9, 2020.

the District of Columbia Youth. Using local and federal funds, DOES OYP helps youth transition smoothly into the workforce and equips them with skills that lead to a clear career pathway to family-sustaining wages.

***Office of Apprenticeship, Information, & Training (OAIT):***

The OAIT safeguards the well-being of apprentices, ensures the quality of programs, provides integrated employment and training information to sponsors, employers, and trainers. Gift cards are incentives provided to graduates of the Pre-Apprenticeship Program to help off-set job expenses; such as the cost of clothing and commuting to and from work.

***Workforce Development – American Job Center (WFD-AJC):***

The American Job Center, formerly DC Works! One-Stop Center offers job seekers, students, businesses, and career professionals’ access to a comprehensive array of employment-related services and tools in one (1) convenient location. Through the District’s American Job Center, residents can utilize resources such as career counseling, career planning, resume assistance, direct job placement, classroom, on-the-job-training, and much more.

In FY 2019, the WFD-AJC provided gift cards to participants that completed the following programs:

- Hospitality Training Program. This program prepares participants for careers in the Hotel/Hospitality industry. Participants that complete the program receive two (2) certifications from the American Hotel & Lodging Institute.
- Woman in the Workforce Program. This program prepares women to aspire to fill responsible positions in the workforce.
- Quick Path to Information Technology. This program prepares students for positions in the IT field, in coordination with the DCIA.

In December 2014, the District’s Office of the Chief Financial Officer (OCFO) and the City Administrator issued a joint Directive to all District Agencies. The joint Directive requires all District Agencies to establish a Memorandum of Understanding (MOU) with the Office of Finance and Treasury (OFT), and to refrain from procuring cards or placing card orders directly with any vendor independent of the OCFO. The joint Directive provided guidelines for revised gift card policies and procedures for the District.



In addition to the MOU, the five (5) programs are governed by the DOES Program Policy 500.40.1 *Gift Card Internal Control & Accountability Protocols dated August 23, 2016* which provides guidance for ordering, receiving, issuing, tracking, and distributing gift cards to participants. The majority of the DOES Program staff uses the Virtual One Stop (VOS) system to track participants advancements from induction into the program through obtainment or achievement of unsubsidized employment and to document that the participants completed the programs for which they were issued the gift card. The OYP uses VOS and PeopleFirst 3 to track participants.

According to the policies and procedures, the program staff is responsible for accounting for all gift cards received by the Program Office. The responsibilities include, but are not limited to, ordering needed cards from the DOES OCFO, receiving, securely storing, and issuing the gift cards to eligible participants. In addition, the Gift Card Custodians are responsible for performing weekly reconciliations of the gift card inventory and providing a monthly reconciliation to the DOES OCFO.

The DOES OCFO is responsible for ordering, distributing, and monitoring gift cards requested by DOES agencies. To accomplish their oversight responsibility, the OCFO is required to maintain tracking logs, verify and review program logs, review the monthly reconciliations prepared by the programs, and submit monthly reconciliations to the OFT.

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**Objectives,  
Scope, and  
Methodology**

The overall objective of our audit was to: 1) determine whether DOES complied with applicable laws and regulations in administering the Gift Card Program.

The scope of our audit were gift cards issued during FY 2019 (October 1, 2018-September 30, 2019). In FY 2019, the five (5) programs ordered and received the following gift cards from the AFO:

**Table 1: Gift Cards Received by Program  
 In FY 2019**

Program	Cards Received	Card Value	Total
DCIA	283	\$100	\$28,300
DSI	559	\$50	27,950
WFD-AJC	452	\$25	11,300
OAIT	216	\$25	5,400
OYP	1,100	\$100	110,000
OYP	182	\$25	4,550
<b>TOTAL</b>	<b>2,792</b>		<b>\$187,500</b>

Source: DOES/OCFO Records

To accomplish our objectives, OIO reviewed the DOES Gift Card policies and procedures; conducted interviews with the OCFO’s AFO and Program Staff, including Gift Cards Custodians, to gain an understanding of the agency’s gift cards operations; and requested documentation (for the audit period) from the Gift Card Custodians including the periodic inventory reports, monthly inventory reconciliation reports, distribution and receipt logs for selected programs, and supporting documentation.

To determine whether the DOES Gift Card Program was operating in compliance with policies and procedures, OIO:

- Reviewed all supporting documentation for FY 2019’s receipt and distribution of gift cards; and
- Compared the card numbers of cards available for distribution from the card receipt documentation, to the distribution logs for accuracy.

Additionally, to test the eligibility of the participants, we obtained access to VOS and selected a judgmental sample of participants to verify participation in the program and ensure they met the criteria to receive gift cards, based on the justification provided at the time of the order.

This performance audit was conducted 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**FINDING 1: Inadequate Governance and Oversight of the Gift Card Program**

The DOES and DOES/OCFO did not effectively administer and maintain accountability of the Gift Card Program. The Gift Card Internal Controls & Accountability Protocols 500.40.1 provide Gift Card Custodians and the OCFO with procedures that should be followed to ensure the program is properly administered, the inventory is maintained, and there is review and verification. However, Gift Card Custodians relied on the OCFO to maintain and prepare reconciliations and the OCFO did not effectively monitor the program. As a result of this lack of oversight; card distribution discrepancies were not identified, cards were held close to or past the expiration date, and cards were not properly accounted for from receipt up to card issuance or return of unused cards. Without adequate internal controls, there is an increased risk of error and misappropriation.

Our review of the inventory records determined that the programs ordered and received gift cards in accordance with the policies and procedures without exception; however, once the cards were in the custody of the program and distributed, the programs and the OCFO did not maintain adequate internal controls over the gift cards. The following table provides an overview of the control deficiencies identified in the programs.

**TABLE 2: Non-Compliance with Procedures by Program  
 For the period October 1, 2018 to September 30, 2019**

Exception	DCIA	DSI	OAIT	WFD-AJC	OYP
Gift Card records were not maintained/readily available.				X	X
Gift Cards Distribution Logs contained errors.	X			X	X
Official Gift Card Distribution Log was not used.		X	X		
Weekly and Monthly Reconciliations were not performed.	X	X	X	X	X
Monthly independent reviews and counts were not completed by the OCFO.	X	X	X	X	X

Source: OIO

### ***Maintenance of Records***

The Gift Card Internal Controls & Accountability Protocols 500.40.1 Section 4.i. requires Gift Card Custodians to maintain all applicable records created as part of the Gift Card protocol. We requested all programs provide documentation available to support gift card control and accountability to include but not limited to inventory records, inventory reconciliations, gift card receipt and distribution logs, and safe access logs to conduct our audit.

The WFD-AJC did not maintain any records to support the receipt, issuance, and or return of gift cards for the audit period. When OIO inquired about the records, WFD-AJC indicated they do not maintain the records and rely on the OCFO to do so. The lack of record keeping increases the risk that errors will not be identified.

OYP did not provide OIO with sufficient documentation at the time of our audit; therefore, we had to rely on the monthly reports maintained by the OCFO/AFO to conduct our review.

A key aspect of internal control is the maintenance of supporting documentation; therefore, Gift Card Custodians should always maintain adequate documentation to support the activity within the program.

### ***Distribution Logs***

#### ***Recordation Errors***

Gift Card Internal Controls & Accountability Protocols 500.40.1 Section D. 2. requires Gift Card Custodians to maintain a separate distribution log; however, our review of distribution logs identified recordation errors in OYP and DCIA.

OYP distribution logs provided by the OCFO/AFO contained incomplete and unsupported distributions, and the logs were not always signed by the Gift Card Custodians as required. For example, in June 2019, OYP received 550 (\$100) gift cards and according to the June/July 2019 Gift Card Count report, 419 were issued. However, when we compared the card numbers to the distribution logs, we found only 404 unique cards were issued.

Additionally, the DOES Gift Card Request/Approval Form requires gift cards to be distributed within three (3) months of the date of receipt; however, 49 of the 550 cards ordered by OYP in June 2019, were not issued until July 2020. This would make the cards over one (1) year old and if not already expired, soon would be.

In August 2019, OYP ordered and received 200 (\$100) gift cards to distribute as incentives for participants in the Middle School Exploration Program. OYP distributed 140 of the cards which included 50 cards for program participants from Kramer Middle School. The distribution log did not include the participant's name or signature. The cards were only recorded as issued to the Kramer Middle School Exploration Program. There was a roster with the names of 50 students from the Kramer Middle School Exploration Program included with the distribution documentation; however, per the Gift Card Policies and Procedures, each card is to have the name and signature of the participant receiving the card on the distribution log.

OIO requested additional documentation and OYP provided us with a distribution log including participant names and signatures. We compared the log OYP provided and found only two (2) of the 50 names appeared on the original roster. There was no record of the remaining 48 names or justification that the names listed on the distribution log were in fact participants of the Kramer Middle School Exploration Program.

In April 2019, the DCIA issued 87 of the 100 (\$100) Visa Gift Cards it received. A review of the records indicated DCIA did not properly account for the cards distributed to thirteen (13) program participants. According to the distribution logs, the thirteen (13) cards were issued twice to two different recipients. Additionally, there were thirteen (13) cards that were not recorded as being issued or returned to the AFO. We discussed this error with the Gift Card Custodian, and it was determined to be a recordation error.

### *Distribution Log Forms*

Gift Card Internal Controls & Accountability Protocols 500.40.1 Exhibit 5b provides the form that should be used by custodians and indicates the distribution log should include: the card number, date, type of card, number of cards received, denomination, participant name, the program and reason for issuance and the signature of the participant. DSI and OAIT did not use the prescribed distribution log.

While our review of the DSI distribution logs did not reveal any discrepancies in the accounting for gift cards received, issued and returned; we noted the distribution log used by the program did not always provide adequate documentation of the reason for distribution. The alternate form did have the participant signature; however, it did not require the signature of the custodian or the reason for the distribution. In addition, using this alternate form facilitates the potential for fraud and misappropriation because the card numbers are written in after the participant's certification signature, and it would be very easy and undetectable to add card numbers after the fact.

In OAIT, we noted the use of a gift card receipt form instead of the approved distribution log form. The OAIT form provides the required information except for the reason for issuance.

Distribution logs provide support for the use of the gift cards; therefore, it is imperative that Gift Card Custodians use the approved form and maintain accurate records that represent the activity within the program.

### ***Weekly and Monthly Reconciliations and Reviews were not conducted by Program Gift Card Custodians.***

DOES Gift Card Internal Controls & Accountability Protocols 500.40.1 Section 4. prescribes the Gift Card Custodian to prepare weekly and monthly reconciliation reports of gift card inventory. The monthly reconciliation is to be reviewed and approved by the agency Program Manager, and Associate Director. If the report is accurate, it is to be submitted to the DOES/OCFO within five (5) calendar days of the end of the month. Our review of available records determined that no

DOES program performed and documented the weekly and monthly reconciliation and reviews as required.

Gift Card Custodians did not prepare the weekly or monthly reconciliations. Instead, there was a reliance on the OCFO to conduct their monthly review and prepare any necessary paperwork. The OCFO Gift Card Count Sheet totaled the cards that were received, returned, and distributed and served as the monthly reconciliation.

Overall, the lack of a sound reconciliation process hindered the discovery of the errors identified in the distribution logs. If the weekly and monthly reconciliations of the card inventory were performed, discrepancies may have been detected.

***Monthly independent reviews and counts were not completed by the OCFO.***

The deficiencies cited within the programs were not addressed due in part to the lack of monitoring and oversight by the DOES/OCFO. DOES Gift Card Internal Controls & Accountability Protocols 500.40.1 Section 7 require the OCFO to conduct independent monthly reviews and counts of the gift card inventory, review and verify monthly reconciliation reports, and verify that DOES established a tracking log.

We determined that the OCFO/AFO did not enforce the requirement for the program to complete monthly reconciliation reports and did not complete their monthly independent review and count in a timely manner. Table 3 indicates the months the OCFO conducted reviews:

**Table 3: OCFO Monthly Review and Count**

MONTH	DCIA	DSI	OAIT	WFD-AJC	OYP
Oct 2018		X			
Nov 2018		X		X	
Dec 2018		X			
Jan 2019		X			
Feb 2019					
Mar 2019					
Apr/May 2019	X			X	X
Jun/Jul 2019	X			X	X
Aug 2019		X		X	X
Sep 2019	X	X	X		X

**Source: OIO**

It appears that the OCFO/AFO only reviewed a program's gift card records when the program received or returned cards to the AFO.

*Accuracy of Records*

A review of records indicates that the month-end balances of cards that were received but not issued were not accounted for in the following month’s Gift Card Count Sheet as the opening balance; therefore, accountability over the cards was lost. In some instances, the program accounted for the cards on their distribution logs, but they were not accounted for on the OCFO count sheet.

For example, our comparison of the OCFO Gift Card Count Sheets to OYP distribution logs for the period June 2019 through September 2019 indicated:

**TABLE 4: Card Balance Discrepancies at OYP**

Month	June/July 2019	August 2019	September 2019	Total
Beginning Balance	0	0	0	0
Cards Received (\$100)	550	200	350	1,100
Cards Issued	419 <sup>2</sup>	140	41	600
<b>Balance Not Carried Forward</b>	<b>131</b>	<b>60</b>	<b>309</b>	<b>500</b>
Cards Received (\$25)		180	0	180
Cares Issued		48	0	48
<b>Balance Not Carried Forward</b>		<b>132</b>	<b>0</b>	<b>132</b>

Source: DOES/OCFO Gift Card Count Sheets

As noted previously, the OCFO/AFO did not have complete distribution logs and records to account for all the cards received and distributed by the program.

Discrepancies were also noted at DCIA. Our comparison of the OCFO Gift Card Count Sheets to the DCIA distribution logs identified the following:

- thirteen (13) cards reported by DCIA as returned to the OCFO in April 2019, were not supported by a return card log. It was noted that the OCFO April 2019 Gift Card Count Sheet prepared on May 3, 2019 included a hand-written notation stating: “back to our safe” pointing to the number thirteen (13) on the cards returned line. However, there was no way to verify who wrote the note or the card numbers the note was referring to.
- two (2) cards issued in August 2019, were not reported because the AFO did not prepare a Gift Card Count Sheet for August 2019.

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<sup>2</sup> OIO’s comparison of the card numbers to the distribution logs, identified 404 unique cards were issued.



- seventy cards received in April 2019 and issued between May 17 and June 7, 2019, were not recorded as issued in the OCFO Gift Card Count Sheets for that period.

Our comparison of the June/July 2019 OCFO Gift Card Count Sheet to the WFD-AJC distribution log indicated that seventeen (17) cards were not recorded as issued or returned on the OCFO Gift Card Count Sheet. We discussed this discrepancy with the OCFO/AFO and program office and were told that a page of the distribution log containing the participants signatures was misplaced. The OCFO/AFO provided us with the Participant certifications stating that four (4) \$25 Visa Gift cards were received; however, these statements did not have the card number associated, so there was no way to determine if the cards were in fact issued to these participants.

Monitoring is a key component of a sound internal control structure and without it, there is a risk of error and impropriety; therefore, every effort should be made to maintain consistent and adequate monitoring of the Gift Card Program.

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## **Recommendations:**

We recommend the Executive Director, DOES:

1. Provide training to all custodians on the gift card requirements outlined in the procedures.
2. Ensure approved forms are used to account for gift cards.
3. Enforce the completion of weekly and monthly reconciliations by the Gift Card Custodians as prescribed by the procedures.

We recommend the Associate Chief Financial Officer, GOC:

4. Ensure that adequate oversight and monitoring is maintained by the AFO (or designee) as outlined in the policy.
5. Review and verify reconciliation packages monthly for each programs accounting, to the policies and procedures, ensuring all gift cards are accounted for, with documentation and explanations attached.
6. Conduct a full reconciliation of the OYP program records to account for all cards ordered, received, and distributed to the program.

## MANAGEMENT RESPONSES AND OIO COMMENT

### **Recommendation 1:**

DOES management concurs with the recommendation and believes that training on the gift card process is critical to the success of the program. The agency will identify a point of contact (POC) on the program side to be the primary record keeper of training logs and content. The POC will be selected, trained, and will finalize an annual training schedule by the close of FY21 Q2.

### **OIO Comment:**

The proposed corrective action is responsive and meets the intent of the recommendation.

### **Recommendation 2:**

DOES agrees that all divisions should use the same forms when logging and monitoring gift card activity. The forms will be reviewed with the AFO team and modified if necessary. The agency confirms that the forms attached to the DOES Gift Card Policy have been disseminated to program staff.

### **OIO Comment:**

The planned corrective action is responsive and meets the intent of the recommendation.

### **Recommendation 3:**

The agency agrees that the AFO needs to provide monthly reports to OCFO and, therefore, weekly meetings may be necessary in periods of high gift card activity to ensure the timely completion of those reports. In their review of the DOES Gift Card Policy, the agency will work with the AFO team and have a program representative at all monthly gift card reconciliation meetings. Further, the agency POC will ensure that the weekly reconciliation activities are occurring during periods of high gift card use so that the AFO receives the information she needs to complete the monthly reconciliations.

### **OIO Comment:**

The planned corrective action is responsive and meets the intent of the recommendation.

**Recommendation 4:**

The OCFO concurs with the recommendation. Staff will ensure that the policies are consistently reviewed to ensure that all parties are clear on their respective roles and responsibilities. OCFO staff will use internal checklist of policy compliance and internal control requirements to perform routine oversight and monitor enforcement of the gift card policy. In addition, OCFO will evaluate the operational efficiency and effectiveness of internal controls over the gift card program annually.

**OIO Comment:**

The planned corrective actions are responsive and meet the intent of the recommendation.

**Recommendation 5:**

OCFO concurs with the recommendation. The OCFO will take the following steps to enforce monthly gift card audits and will work with program to ensure assignment of backup staff in the event of main staff unavailability, schedule conflicts and other factors to conduct the mandatory monthly audit. OCFO will provide a note to the file stating that there are no cards on hand by Program so that it's clear that there is no need for a review. OCFO along with the Program will also implement a new process that requires custodians to submit support prior to the audit to allow time to thoroughly review and resolve issues ahead of the audit.

**OIO Comment:**

The planned corrective actions are responsive and meet the intent of the recommendation.

**Recommendation 6:**

OCFO concurred with the recommendation and completed an independent review of the OYP gift cards and all cards noted in table 4 have been reconciled and fully accounted for as of August 31, 2020.

**OIO Comment:**

During our follow-up review in FY 2021, we will review the OYP documentation to ensure all cards were properly accounted for as stated.

**FINDING 2:                      Distribution to Participants did not Follow Gift Card  
Order Justification**

OIO identified an ineligible participant received gift cards and variances between the justification provided to receive cards and how the cards were ultimately distributed. The Gift Card Internal Controls & Accountability Protocols 500.40.1 includes a requirement to justify the request for gift cards and each program sets specific criteria that must be met to receive gift cards. Inconsistency in the issuance of gift cards to participants provides an appearance of impropriety; therefore, any differences should be documented by the custodians.

OIO reviewed a sample of participants using the VOS to verify the recipient’s residency and participation in the program. The specific issues we identified by program are as follows:

**OAIT**

In September 2019, OAIT distributed gift cards to participants completing the Building Trades Pre-Apprenticeship Program. The order justification stated the cards were to, “incentivize those residents who complete the pre-apprenticeship programs.”

Although the justification did not state the number of cards each participant would receive, our review of records identified variances in the number of cards two (2) custodians distributed to each participant. Each custodian distributed cards to twelve (12) participants as follows:

- Custodian 1 distributed eight (8) cards to each of the twelve (12) participants.
- Custodian 2 distributed eight (8) cards each to four (4) participants and ten (10) cards each to the remaining eight (8) participants.

There was no explanation in the supporting documentation to explain the discrepancy in cards issued.

To verify participation, we judgmentally selected ten (10) of the 24 participants and noted one (1) of the ten (10) used a non-DC address. OAIT officials stated the participant may have changed their address during the course of the training; however, the address listed in VOS for the participant, including the application to the apprenticeship program was a Maryland address, which would make the participant ineligible to enter the program. This participant also received ten (10) cards while others in the same program received eight (8) cards for completing the program.

**DSI**

DSI custodians did not distribute cards in accordance with the order justification in two (2) instances. In December 2019, DSI ordered cards to provide each participant that completed the

Job Readiness Training, with two (2) \$50 gift cards each totaling \$100. However, a review of the records indicates three (3) participants received three (3) \$50 cards each. There was no explanation as to why all participants did not receive the two (2) cards as requested by the program or if the participants were entitled to receive the additional card.

In September 2019, DSI requested gift cards for Silver Star awardees. According to the justification, each awardee was to receive ten (10) gift cards each; however, the actual documentation showed participants only received nine (9) cards. We did note that the remaining cards were returned to the OCFO; however, the custodians did not explain why participants received one (1) less card.

To ensure cards were issued to eligible participants, we judgmentally selected 174 of the cards distributed representing 65 participants and found five (5) exceptions. Three (3) of the five (5) participants representing 21 of the cards were Shining Star awardees. To receive the Shining Star award, participants were required to obtain and maintain unsubsidized employment; however, we could not verify in VOS that the three (3) participants met the criteria. For the remaining two (2) participants, one (1) participant could not be found in VOS and the other did not have sufficient documentation to support their eligibility. We provided the five (5) names and card numbers to DSI; however, we did not receive a response to our inquiry.

## **OYP**

OIO noted a discrepancy in how cards were issued compared to the justification provided. In July 2019, 180 \$25 cards were ordered. The justification stated the cards were to provide fifteen (15) program participants with twelve (12) cards each (\$300) to offset transportation costs associated with getting to the program site. However, the actual distribution was to three (3) participants: two (2) participants received 20 cards totaling \$500 and one (1) participant received eight (8) cards totaling \$200. There was no documentation to support or explain why the cards were distributed in this manner.

OYP does not use VOS to account for participants and instead uses PeopleFirst3 (PF3). We requested documentation; however, it was not received at the time of our audit; therefore we could not verify the eligibility of the participants within the program.

## **DCIA**

OIO judgmentally selected a sample of 31 of the 246 cards issued by DCIA to ensure participant eligibility and the completion of the program. Our review of the participant records in VOS confirmed that all 31 participants were eligible and successfully completed the program(s) for which they were issued cards.

However, in our review of the gift card distributions, we did note that one (1) eligible participant received an additional card compared to the other participants in the same program. This occurred because the participant received one (1) card at program completion and another card at a make-up distribution. This discrepancy was not caught due to the lack of a thorough review by the

custodian.

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**Recommendation:** We recommend the Executive Director, DOES:

7. Require programs to document differences in the issuance of gift cards compared to the original request; especially when a different number of cards are being issued to participants for the completion of the same program.

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### MANAGEMENT RESPONSE AND OIO COMMENT

#### Recommendation 7:

DOES noted that the Draft Report correctly noted rosters can change over the course of a program term and although cards are ordered for a certain list of participants, actual disbursements may change by the end of the program. By the Q2 deadline stated above, the agency will review and make any necessary changes to the DOES Gift Card Policy and training to ensure that all such changes are properly documented and filed.

#### OIO Comment:

The DOES planned corrective actions are responsive and meet the intent of the recommendation.

**EXHIBIT A: Summary of Recommendations and Benefits**

No.	Recommendation	Type of Benefit	Agency Reported Estimated Completion Date	Status <sup>3</sup>
1	Provide training to all custodians on the gift card requirements outlined in the procedures.	Internal Control & Process Improvement	March 31, 2021	Open
2	Ensure approved forms are used to account for gift cards.	Internal Control & Process Improvement	March 31, 2021	Open
3	Enforce the completion of weekly and monthly reconciliations by the Gift Card Custodians as prescribed by the procedures.	Internal Control & Process Improvement	March 31, 2021	Open
4	Ensure that adequate oversight and monitoring is maintained by the AFO (or designee) as outlined in the policy.	Internal Control & Process Improvement	February 26, 2021	Open
5	Review and verify reconciliation packages monthly for each program accounting to the policies and procedures ensuring that all gift cards are accounted for and the supporting documentation and explanation are attached.	Internal Control & Process Improvement	February 26, 2021	Open
6	Conduct a full reconciliation of the OYP program records to account for all cards ordered, received, and distributed to the program.	Internal Control & Process Improvement	August 31, 2020	Completed
7	Require programs to document differences in the issuance of gift cards compared to the original request; especially when a different number of cards are being issued to participants for the completion of the same program.	Internal Control & Process Improvement	March 31, 2021	Open

<sup>3</sup> This column provides the status of the recommendation as of the report date. For final reports “Open” means management and the OIO are in agreement on the action to be taken, but the action is not complete. “Closed” means that management advised that the action taken needed to correct the condition is complete. If a completion date was not provided the date of management’s response was used. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

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**APPENDIX 1: DOES MANAGEMENT RESPONSE**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
Department of Employment Services



MURIEL BOWSER  
MAYOR

DR. UNIQUE MORRIS-HUGHES  
DIRECTOR

December 30, 2020

Mr. Timothy Barry  
Executive Director  
Office of Integrity and Oversight  
Office of the Chief Financial Officer  
Government of the District of Columbia  
1100 4<sup>th</sup> Street SW, Suite 750  
Washington, DC 20024

**VIA E-MAIL**

Dear Executive Director Barry:

The Department of Employment Services (DOES) reviewed the draft report “Audit of Internal Controls Over The Gift Cards Program At The Department of Employment Services (DOES),” dated December 3, 2020 (the Draft Report). DOES appreciates the opportunity to respond to the Draft Report recommendations and to correct certain statements. Thank you for the extension of time to respond. As you know, this is a busy time of the year as DOES prepares to stand up new unemployment programs and support the continuity of payments that so many of our constituents rely on during this difficult time.

First, it is important to note that the audit of DOES’ gift card program found that all cards were properly ordered and received during the audit period and that no cards were determined to be lost, stolen, or unaccounted for. The Draft Report primarily relied on the procedures contained in DOES Program Policy No. 500.40.1 (the DOES Gift Card Policy) to determine agency compliance. The results find that the agency gift card management and documentation procedures should be upgraded and that divisions should receive regular training on those procedures. On that end, we are in agreement and have outlined below some of the steps that the agency will take to meet and satisfy the Draft Report recommendations.

Individual programs at DOES provide gift cards to program participants for a variety of achievements. The eligibility criteria is some cases it set forth in specific program policies governing these criteria. It does not appear that the auditors requested or reviewed any of these policies and it is possible that some of the questions raised in the Draft Report might have been resolved by such a review. It is also necessary to note that this audit was conducted during a difficult time for government operations. Most of our employees were teleworking during the time of the audit and there appears to have been some miscommunication between the auditors and program staff about the availability of information and timeliness of agency responses. Auditors reached out to many program staff across several divisions and it does not appear that efforts were made to centralize information requests and document retrieval efforts. Program staff returned to the office on a number of occasions to make files available to auditors. In at



least one instance, program staff followed up with additional document availability, but auditors did not acknowledge or request that documentation.

Finally, we recognize that some of the findings are directed to the efforts of our embedded OCFO team and it is our understanding that the Agency Financial Officer (AFO) and her team will respond separately to those recommendations.

Below please find the DOES responses to the four (4) recommendations specific to DOES programs:

**Draft Audit Recommendations and Agency Response**

- (#1) Provide training to all custodians on the gift card requirements outlined in the procedures.
- (#2) Ensure approved forms are used to account for gift cards.
- (#3) Enforce the completion of weekly and monthly reconciliations by the Gift Card Custodians as prescribed by the procedures.
- (#7) Require programs to document differences in the issuance of gift cards compared to the original request; especially when a different number of cards are being issued to participants for the completion of the same program.

**Agency Training (Recommendation #1)**

The agency agrees that training on the gift card process is critical to the success of the program. Gift card custodians currently receive training, but the agency will work with the AFO team to provide a regular and unified training curriculum to agency gift card custodians. The agency will identify a point of contact (POC) on the program side to be the primary record keeper of training logs and content. The POC will be selected, trained, and will finalize an annual training schedule by the close of FY21 Q2. The name and contact info of the agency POC will be provided to OCFO and updated if changes occur. The agency POC will coordinate the training program and content with the AFO.

I note that the agency training process is ongoing. For example, the Office of Youth Programs recently completed a training for its gift card custodians.

**Forms (Recommendation #2)**

The agency agrees that all divisions should use the same forms when logging and monitoring gift card activity. Although some divisions used the form attached to the DOES Gift Card Policy, others used a form similar in content, but different in look. The forms will be reviewed with the AFO team and modified if necessary. At this point, we confirm that the forms attached to the DOES Gift Card Policy have been disseminated to program staff.

**Reconciliation (Recommendation #3)**

Although weekly reconciliations of gift card information may be too frequent in some instances, the agency recognizes that the AFO needs to provide monthly reports to OCFO and, therefore, weekly meetings may be necessary in periods of high gift card activity to ensure the timely completion of those reports. Consequently, when reviewing the DOES Gift Card Policy, the agency will work with the AFO team and have a program representative at all monthly gift card reconciliation meetings. Further, the agency POC will ensure that the weekly reconciliation activities are occurring during periods of high gift card use so that the AFO receives the information she needs to complete the monthly reconciliations.

Document Discrepancies (Recommendation #7)

During the course of the year, the number and purpose of planned gift card disbursements may change depending on fluctuating program membership numbers or other valid reasons. The Draft Report correctly notes in several instances that program rosters can change over the course of a program term and although cards are ordered for a certain list of participants, actual disbursements may change by the end of the program. By the Q2 deadline stated above, the agency will review and make any necessary changes to the DOES Gift Card Policy and training to ensure that all such changes are properly documented and filed.

Clarifications to Draft Audit Findings

The Draft Audit purports to be an audit of the agency's and AFO office's compliance with the District laws and regulations governing the ordering and use of gift cards. However, it is primarily a comparison of the DOES Gift Card Policy requirements to the specific procedures DOES divisions follow when obtaining and disbursing gift cards. As mentioned above, it did not consider program-specific policies covering gift card recipient selection and eligibility. The agency agrees that the procedures and forms should reflect the requirements of the adopted policy. The DOES Gift Card Policy is very detailed and requires weekly and monthly reconciliations. In the course of establishing the POC and training schedules during FY21, Q2, we will also revisit the DOES Gift Card Policy to determine if it needs to be revised to reflect more realistic requirements.

We note that several of the factual findings throughout the Draft Report are incomplete or do not reflect the agency's view of what documentation was provided or the sufficiency of the agency's explanation. It is not my intent to point out each example, but there are a few items we would like to address:

- OYP uses VOS and PeopleFirst3 to track program participants so relying on VOS records alone would not be sufficient to reconcile all OYP participants (see Draft Report page 3)
- The auditor notes that certain documentation from OYP was not provided at the time of the audit, but this information was later located and made available (page 7)
- OYP provided the revised roster to the auditor for the Middle School Exploration Program and described why the pre-enrollment roster differed from the final actual roster (page 8)
- DCIA logs for certain April 2019 cards were noted as containing discrepancies when agency records show no discrepancies (page 8); the agency does have the distribution log showing returned DCIA card numbers (page 10); and the DCIA participant who received a second card was knowingly allowed that card because it was for completion of a second program - I.e., the participant did not receive two (2) cards for the same program (page 13)
- DSI program staff did respond to the auditor request for further information via e-mail on August 3, 2020, despite the statement to the contrary in the Draft Report (page 13)
- OAIT program staff provided an explanation that a card recipient was a DC resident at the time of card issuance and later moved to MD – VOS records were later updated to reflect this (page 12)

Finally, it is my understanding that the DOES Deputy Directors for the divisions reviewed were not invited to the auditors' close-out meeting. I would prefer in the future that senior managers be allowed to attend these important meetings as some discrepancies could be resolved quickly through a high-level description of the division process. Some of the misunderstandings regarding lack of logs or failure to provide information could have been resolved with the addition of the division chiefs.

DOES is committed to working with OCFO and its AFO team to support the District's commitment to maintaining the integrity of the agency gift card process. Please contact me if I can provide further information or assistance on these matters at [Unique.Morris-Hughes2@dc.gov](mailto:Unique.Morris-Hughes2@dc.gov).

Sincerely,



Dr. Unique Morris-Hughes  
Director

cc: Angélique Hayes Rice, Government Operations Cluster  
Natalie Mayers, Agency Fiscal Officer, DOES  
Tisha Edwards, Director of Internal Audit, OCFO

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**APPENDIX 2: OCFO MANAGEMENT RESPONSE**

**DISTRICT OF COLUMBIA GOVERNMENT  
OFFICE OF THE CHIEF FINANCIAL OFFICER  
GOVERNMENT OPERATIONS CLUSTER**



Angelique Hayes Rice  
Associate Chief Financial Officer

TO: Timothy Barry  
Executive Director  
Office of Integrity and Oversight

FROM: Angelique Rice, *Angelique Rice*  
Associate Chief Financial Officer  
Government Operations Cluster

DATE: December 30, 2020

RE: REF: 20-01-01 DOES (Audit of Internal Controls Over the Gift Card Program at DOES)

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The Government Operations Cluster (GOC) has reviewed the internal control deficiencies identified in this audit and concurs in whole or in part with the findings and recommendations for our office. We will strengthen internal controls, enforce policies, enhance oversight, and improve our processes to ensure compliance and accountability.

Attached is the corrective action plan associated with the recommendations identified in the audit. We have also included our responses to the components of the findings to which we do not agree.

In closing, thank you for providing this opportunity to respond to the draft findings and recommendations. We will work DOES Program and implement the recommendations to maintain the appropriate level of oversight for the DOES gift card program.

Sincerely,

Angelique Rice  
Associate Chief Financial Officer  
Government Operations Cluster

CC: Natalie Mayers, AFO, Department of Employment Services  
Unique Morris-Hughes, Director, Department of Employment Services  
Gashaw Woldehanna, Cluster Controller, Government Operations Cluster  
Sia Kiawu, Controller, Department of Employment Services

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Audit of Internal Controls over the Gift Card Program at the  
Department of Employment Services  
Final Report  
20-01-01 DOES

**Government Operations Cluster  
Department of Employment Services  
Audit of Internal Controls Over the Gift Card Program at the Department of Employment Services  
OCFO Response and Corrective Action Plan to Report No. 20-01-01 DOES**

Audit Finding	Recommendations to OCFO	Management Response	Corrective Action Plan	Expected Completion Date	Implementing Official
<b>Finding #1</b> Inadequate Governance and Oversight of the Gift Card Program	<b>Recommendation #4</b> Ensure that adequate oversight and monitoring is maintained by the AFO (or designee) as outlined in the policy.	Management concurs to this recommendation.	OCFO staff will ensure that the policies are consistently reviewed to ensure that all parties are clear on their respective roles and responsibilities. OCFO staff will use internal checklist of policy compliance and internal control requirements to perform routine oversight and monitor enforcement of the gift card policy. In addition, OCFO will evaluate the operational efficiency and effectiveness of internal controls over the gift card program annually.	Ongoing	Agency Fiscal Officer, Controller
	<b>Recommendation #5</b> Review and verify reconciliation packages monthly for each program accounting, to the policies and procedures, ensuring all gift cards are accounted for, with documentation and explanations attached.	Management concurs to this recommendation.	The OCFO will take the following steps to enforce monthly gift card audits. GOC Cluster Controller will review the accuracy, completeness and timeliness of the audit and reconciliation packages monthly. In addition to the main Accountant responsible for the audit, two back up staff are now in place to ensure that audits are done monthly. Log of custodians/cards on hand balances will be updated at the end of each audit and maintained on the share drive to ensure a smooth transition at all times during audit/reviews. Package reviewers will use a checklist to ensure that all necessary forms are attached and essential fields filled accurately. Forms/documentations submitted during the audit will be thoroughly reviewed for completeness, accuracy and compliance to the policy. OCFO implements a log to track custodians with cards on hand so that there is a smooth continuation in the absence of the main staff responsible for the audits. OCFO will work with program to ensure assignment of backup staff in the event of main staff unavailability, schedule conflicts and other factors to conduct the mandatory monthly audit. OCFO will provide a note to the file stating that there are no cards on hand by Program so that it's clear that there is no need for a review. OCFO along with Program will also implement a new process that requires custodians to submit support prior to the audit to allow time to thoroughly review and resolve issues ahead of the audit.	Monthly	Accountant/Accounting Officer/Controller/Cluster Controller
	<b>Recommendation #6</b> Conduct a full reconciliation of the OYP program records to account for all cards ordered, received, and distributed to the program.	Management concurs to this recommendation.	OCFO completed an independent review of the OYP gift cards and all cards noted in table 4 have been reconciled and fully accounted for as of August 31, 2020.	August 31, 2020	Accountant/Accounting Officer/Controller

Audit of Internal Controls over the Gift Card Program at the  
Department of Employment Services  
Final Report  
20-01-01 DOES

**Government Operations Cluster  
Department of Employment Services  
Audit of Internal Controls Over the Gift Card Program at the Department of Employment Services  
Management Disputes to Sub- Findings Ref No. 20-01-01 DOES**

Finding	Sub- Finding	Description of the Finding	Management Response
Finding #1: Inadequate Governance and Oversight of the Gift Card Program	Accuracy of Records	A review of records indicates that the month-end balances of cards that were received but not issued were not accounted for in the following month's Gift Card Count Sheet as the opening balance; therefore, accountability over the cards was lost. In some instances, the program accounted for the cards on their distribution logs, but they were not accounted for on the OCFO count sheet. For example, our comparison of the OCFO Gift Card Count Sheets to OYP distribution logs for the period June 2019 through September 2019 indicated:	OCFO disagrees with the finding that the listed cards per table 4 were not accounted for but agrees with the finding that it was not accounted for in a timely manner. All cards issued and noted in table 4 were reconciled and fully accounted for by August 2020. Balance of # 60 \$100 cards at end of August 2019 (Custodians - Christina Brew & Wayne Ryan) - fully distributed in September 2019 but OCFO audit not completed until August 2020. Balance of #131 \$100 cards at end of June/July 2019 (Custodians - Dawan Davenport & Ayana Williams) - fully distributed in August 2020 but OCFO audit not completed until August 2020. Balance of #132 \$25 cards at end of August 2019 (Custodians - Christina Hollimon & Rashad Gaines) - fully distributed in October 2019 but OCFO audit not completed until November 2019. Balance of # 309 \$100 cards at end of September 2019 (Custodians - Donna Omoregie & Stephanie Campbell) - fully distributed in October 2019 was audited by the OCFO in November & December 2019, January, February & September 2020 - fully distributed by end of September 2020. Corrective action plan is provided to ensure timeliness of reconciliation. Running balances will also be maintained to ensure proper tracking and reconciliation.
	Monthly independent reviews and counts were not completed by the OCFO.	The deficiencies cited within the programs were not addressed due in part to the lack of monitoring and oversight by the DOES/OCFO. DOES Gift Card Internal Controls & Accountability Protocols Section 7 require the OCFO to conduct independent monthly reviews and counts of the gift card inventory, review and verify monthly reconciliation reports, and verify that DOES established a tracking log. We determined that the OCFO/AFO did not complete their monthly independent review and count in a timely manner. It appears that the OCFO/AFO only reviewed a program's gift card records when the program received or returned cards to the AFO. Table 3 indicates the months the OCFO conducted reviews updated with additional info.	OCFO agrees with this finding in part. OCFO reviewed Table 3 and confirmed that it is inaccurate. All blank fields in Table 3 with the exception of DCLA program audit for month of August, 2019, does not need audit since custodians had no cards on hand. Going forward the CFO will provide a note to the file stating that there are no cards on hand by Program so that it's clear that there is no need for a review. DOES/CFO did complete monthly independent review in all but two months which were due to scheduling conflicts and the unavailability of staff on the OCFO/Program, combined audits were done for April/May and June/July 2019. DOES/OCFO have a process in place to ensure regular monthly reconciliation and audit. OCFO disagrees that AFO reviews are triggered by program's returning or receiving of gift cards. OCFO will continue to work with Program to ensure that monthly audits are conducted in compliance with the policy. The DCLA program audit missed on the month of August, 2019 is an isolated incident that does not warrant conclusion.