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financial controls.

Jan. 18, 2013

An audit of five years of gift card purchases by Atlanta government departments turned up no obvious theft or fraud but found a lack of adequate record-keeping and financial controls.

Because gift cards carry the same possibility of theft as cash, the gift cards posed “extremely high risk for loss” to the city, according to the 10-page report obtained by The Atlanta Journal-Constitution on Wednesday.

The audit lays out recommendations to tighten the procedures surrounding gift cards, which have been used for years to reward employees in various departments: watershed management, public works, aviation and others. They were also sometimes used to buy food for meetings and for crews working overtime.

The city's various departments spent about \$125,000 on gift cards between January 2008 and September 2012. Because of bulk-buying discounts, they actually got at least \$128,000 worth of cards in that period. Slipshod controls made it difficult to track or protect that taxpayer money.

The audit argued that Atlanta should develop a centrally-administered gift card program processed through the city's payroll office. A variety of controls would be put in place, including better physical security and specific criteria for receiving awards.

Also, the audit recommended that the city consider allowing staffers to use “purchasing cards” instead of gift cards to procure inexpensive items. So called “P-cards” are easier to control than gift cards and provide an electronic record of transactions, according to the audit.

The auditors said they could not be sure they had identified all purchases, largely

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“We looked to see if we could identify any indicators of fraud that might merit further investigation,” City Auditor Leslie Ward told a City Council committee on Wednesday. “It’s not possible for us to entirely rule out any misuse of the cards, but we did not find evidence that we think requires any additional sort of investigation.”

On Wednesday, the city’s chief operating officer said she agreed with the audit team’s recommendations and was working to implement them.

“The key challenge is making sure there is transparency and accountability,” said Duriya Farooqui. She said she wants a list produced every year, and possibly more frequently, showing which employees had received gift cards.

For the past five years, more than 90 percent of the cards that were distributed were earmarked for employee recognition, although some were apparently used for incidental items, such as buying food for Watershed or Public Works crews when they worked late.

One of the big problems with the way Atlanta departments were using gift cards: that federal and state guidelines say gift cards should be counted as an employee’s taxable compensation. But it is not clear what percentage of employees had taxes withheld from the fringe benefit.

Farooqui suspended all purchases of gift cards in October, after the AJC began investigating the watershed departments’ handling of gift cards. She ordered city departments to turn unused cards in to the Department of Human Resources. Four departments turned in 737 cards valued at \$33,875. Farooqui also requested the audit and asked for it to be fast-tracked.

Since 2008, the city watershed management department accounted for about 75 percent of the city’s spending on gift cards, followed by the aviation department at 15 percent and the finance department at 7.5 percent.

Airport staffers occasionally used the cards to help stranded travelers, while the

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Atlanta's gift card purchases

An audit released this week showed Atlanta's departments spent about \$125,000 on gift cards between January 2008 and September 2012. More than 90 percent of the cards were for Macy's or Target or were prepaid Visa or American Express cards. Nine in ten were in denominations of \$25, \$50 or \$100, although a few were for \$300.

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