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# AUDIT REPORT

The Department of  
Family Services  
Implemented  
Sufficient  
Corrective Actions  
to Address the  
Findings from the  
Purchasing Card  
and Gift Card  
Controls Audit

October 2024

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# Audit Executive Summary

## THE DEPARTMENT OF FAMILY SERVICES IMPLEMENTED SUFFICIENT CORRECTIVE ACTIONS TO ADDRESS THE FINDINGS FROM THE PURCHASING CARD AND GIFT CARD CONTROLS AUDIT

October 2024

**Background** | We performed a follow-up audit of the Family Services Purchasing Card and Gift Card Controls audit issued on January 26, 2022.

In the original audit we found:

- Additional purchasing cards needed to improve accountability and shared payment information;
- Split online orders create administrative burden and weaken monthly statement review process;
- Policies and procedures pertaining to the Child Haven inventory management and single use gift cards should be created or revised;
- Opportunities to improve online purchasing controls;
- Opportunities to improve single use gift card controls;
- Opportunities to enhance Child Haven inventory controls;
- Transactional limit for the purchasing card was not established.

**Objectives** | We conducted this audit to determine whether the Department of Family Services implemented corrective action to resolve the findings in the original audit.

**Summary and Key Findings** | The Department of Family Services implemented corrective actions to address 6 of the 6 findings in the original audit.

The Department of Family Services implemented the following:

- Increased the number of purchasing cards to three;
- Explored purchasing options and implemented methods to reduce the split order administrative burden and monthly review process;
- Improved the separation of duties by adding an employee to the online purchasing workflow;
- Developed gift card inventory management policies and procedures;
- Disbursed dormant gift cards;
- Documented a periodic count of gift cards;
- Implemented a process to request and obtain approval for Child Haven inventory purchased through the purchasing cards;
- Implemented a process to document and retain receipt of goods along with affirmation of goods received for the Child Haven inventory rooms;
- Established transactional limits for each of the purchasing cards.

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## Audit Team

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Mary Yanez, Internal Auditor  
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## Audit Committee

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Commissioner Michael Naft  
Commissioner William McCurdy II  
Commissioner Ross Miller

## About the Audit Department

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The Audit Department is an independent department of Clark County reporting directly to the County Manager. The Audit Department promotes economical, efficient, and effective operations and combats fraud, waste, and abuse by providing management with independent and objective evaluations of operations. The Department also helps keep the public informed about the quality of Clark County Management through audit reports.

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## Background

We performed an audit of the Family Services Purchasing Card and Gift Card Controls and issued an audit report on January 26, 2022.

We identified six findings in the original audit report. These included the following based on level of risk:

- The Department had one purchasing card that was being shared among fiscal staff. (High);
- Split online shipping orders created an administrative burden. The monthly purchasing card invoice statement review process was weakened due to large volume of transactional support (Medium);
- Segregation of duties could be strengthened in the online purchasing workflow (Medium);
- Policies and procedures for single use gift cards were not finalized. We found many gift cards that Family Services did not distribute to intended youth. We also identified opportunities to improve single use gift card inventory and accountability practices (Low);
- Opportunities to improve the Child Haven children's inventory room practices by:
  - Developing inventory management policies and procedures pertaining to managing stock goods receipting, making orders and managing returns;
  - Developing a purchase requisition form;
  - Documenting and retaining evidence of goods receipts; and
  - Implementing an inventory management system and/or security monitoring system for the inventory rooms (Low);
- A transactional limit for the purchasing card was not established (Low).

## Objective

The objective of this audit was to determine whether corrective actions were implemented to address finding conditions identified in the original audit.

## Conclusions

The Department of Family Services implemented corrective action to address the original audit findings. The Department implemented the following:

- Increased the number of purchasing cards to three (3) and set a transactional limit for each card. They also ensured card information is not stored in any of the online merchant accounts;

- Explored alternative purchasing options and implemented methods to reduce the administrative burden surrounding the monthly review process with regards to split order charges, and implemented a process to retain itemized online shipping documentation for Child Haven inventory room purchases;
- Added a level of review in the online purchasing workflow for Child Haven children's inventory room purchases;
- Developed gift card inventory management policies and procedures, disbursed all gift cards, and documented a periodic count of gift cards;
- Implemented a process to document purchase requests and approvals for the Child Haven inventory rooms;

Child Haven staff developed a system that allows them to manage the unique needs of the children at the Child Haven campus. Their procedures allow for flexibility with managing inventory, as the population and demographic of the campus changes daily. Although the procedures are not formally documented (in progress), we believe management substantially resolved this issue.

Additionally, on January 26, 2022, the Audit Committee and management accepted the risk related to the inventory management system and security monitoring system for the Child Haven children's inventory rooms. Regardless, the Department of Family Services management began researching inventory management solutions and requested capital funding for cameras in the inventory rooms. Funding was not approved for the cameras and no inventory management system was selected for implementation.

Findings are rated based on a risk assessment that takes into consideration the circumstances of the current condition including compensating controls and the potential impact on reputation and customer confidence, safety and health, finances, productivity, and the possibility of fines or legal penalties. It also considers the impact on confidentiality, integrity, and availability of data.

# 6 of 6 Total Audit Findings Resolved

**1 of 1** High Risk



High risk findings indicate an immediate and significant threat to one or more of the impact areas.

**2 of 2** Medium Risk Findings



Medium risk findings indicate the conditions present a less significant threat to one or more of the impact areas. They also include issues that would be considered high if one control is not working as designed.

**3 of 3** Low Risk Findings



Low risk findings are typically departures from best business practices or areas where effectiveness, efficiency, or internal controls can be enhanced. They also include issues that would be considered high or medium risk if alternate controls were not in place.

## Appendix A: Audit Scope, Methodology, and GAGAS Compliance

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### Scope

The audit covered the period from July 1, 2023, through May 31, 2024. The last day of field work was June 4, 2024. Select findings were reviewed as part of the Fiscal Year 2022 Imprest and Petty Cash review and reported on in this report.

### Methodology

To accomplish our objectives, we interviewed staff and management from the Department of Family Services. We obtained the status of the findings included in the original audit. We then performed the following procedures:

- Obtained the monthly American Express billing statements for the period of August 2023 through December 2024 to verify the increased number of purchasing cards and that the purchasing cards are utilized. Additionally, we observed staff enter purchases through the online merchant accounts to verify payment information is not shared and stored.
- Obtained the March 2024 purchasing card invoice payment support to compare split order transactional volume to the original audit. We used this to determine whether the administrative burden surrounding the monthly review process was reduced.
- Obtained the March 2024 purchasing card invoice payment to verify the itemized listing for online purchases is reviewed and retained.
- Obtained a sample e-mail purchase request for April and March 2024 to verify an additional employee was added to the purchasing workflow to review and approve purchases.
- Obtained an e-mail purchase request for April and May 2024 to verify documented approval for online purchases, which includes details about the requested items.
- Observed the receipt of goods filing system and obtained a sample of receipt of goods documentation for April and May 2024 to verify supporting documentation is retained. Additionally, we confirmed staff are currently updating the policies and procedures to include the receipt of goods process.
- Obtained and reviewed the gift card inventory management policies and procedures to verify that processes were formalized. We obtained and compared the single use gift card inventory counts for September 2022 and January 2023 to verify that a periodic count was documented, and the gift card inventory was reduced. (Included as part of the Fiscal Year 2022 Imprest and

Petty Cash Review.) Additionally, we confirmed all gift cards from the original audit were disbursed.

- Obtained screenshots from the American Express system on May 14, 2024, to verify a transactional limit was established for each purchasing card holder.

While some samples selected were not statistically relevant, we believe they are sufficient to provide findings for the population as a whole.

Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal control are included in the detailed results.

## Standards Statement

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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. Our department is independent per the GAGAS requirements for internal auditors.