



# **U-Matter Card Program Review P2024-02**

Issued by the  
Internal Audit Department  
July 30, 2024



# Internal Audit Department

**MAYOR**  
Oscar Leeser

**DATE:** July 30, 2024

**TO:** Robert Cortinas – Chief Financial Officer/Deputy City Manger

**CITY COUNCIL**

**FROM:** Edmundo S. Calderon, CIA, CGAP, CRMA, Chief Internal Auditor

**District 1**  
Brian Kennedy

**SUBJECT:** U-Matter Gift Cards Program Review P2024-02

**District 2**  
Dr. Josh Acevedo

The Internal Audit Department conducted a review of the U-Matter Gift Cards Program. This engagement was accepted based on the engagement’s potential to improve management of risks, add value, and/or improve the organization’s operations (IIA 2010.C1). The work performed does not constitute an engagement conducted in accordance with Generally Accepted Government Auditing Standards (GAS 1.16). The observations and conclusions that are reported in this memorandum do not require Management Responses.

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Cassandra Hernandez

**District 4**  
Joe Molinar

**Background:**

The U-Matter Gift Card Program is intended to award an employee for a special event, action or behavior that is:

**District 5**  
Isabel Salcido

- Above and beyond the typical job duties of an employee,
- An extraordinary act, accomplishment or contribution that benefits the City or community; or
- Exemplary customer service.

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Art Fierro

**District 7**  
Henry Rivera

The process of purchasing, awarding, and accounting for U-Matter Gift Cards is summarized below:

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- Gift Cards are purchased at Cielo Vista Mall and are assigned a 3–4 digit identification number (Assigned Number).
- Gift Card number and Assigned Number is entered in the U-Matter Gift Card Inventory Log.
- Gift Cards are placed in a safe located in the Office of the Comptroller.
- The In/Out Safe Log is updated to record the gift cards that were placed in the safe.
- The City Manager’s Office receives a U-Matter Award Nomination Form for a City employee and is approved by the City Manager or Deputy City Manager.
- The City Manager’s Office staff contacts the City employee to schedule a pickup date. The City employee can pick up the card between 9 a.m. and 4 p.m.
- U-Matter Gift Cards scheduled for pick up will be retrieved from the safe.
- When the City employee picks up the card, they sign the U-Matter Gift Cards Recipient Log to demonstrate that the employee received the card.
- The City Manager’s Office and the Human Resources Department share an online log known as the HR SharePoint Log. The log is used to capture the recipient’s name, Kronos ID and amount of award. This is shared with the Human Resources Department for tax purposes.
- Any unclaimed U-Matter Gift Cards are returned to the safe before the end of day.

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# Internal Audit Department

## **MAYOR**

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### **Objectives:**

The objectives of this review were to ensure that U-Matter Gift Cards are being properly accounted for and properly safeguarded.

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### **Scope:**

Fiscal Year 2024.

### **District 1**

Brian Kennedy

### **Methodology:**

To achieve our audit objectives, we:

### **District 2**

Dr. Josh Acevedo

- Obtained an understanding of the U-Matter Gift Card Program Policies and Procedures.
- Interviewed staff responsible for monitoring and safeguarding the U-Matter Gift Cards.
- Conducted a site visit to the Office of the Comptroller to physically count the U-Matter Gift Cards in the safe.
- Conducted a reconciliation between the U-Matter Gift Cards in the safe and the U-Matter Gift Cards Inventory Log and U-Matter Gift Cards Recipient Log.
- Conducted a reconciliation between the U-Matter Gift Cards Recipient Log and the HR SharePoint Log to ensure employee information is sent to the Human Resources Department for payroll tax deductions.
- Documented areas where inefficiencies exist and where internal controls need to be strengthened.
- Summarized the results of testing.

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### **District 4**

Joe Molinar

### **District 5**

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### **District 7**

Henry Rivera

### **District 8**

Chris Canales

## **INTERIM CITY MANAGER**

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**Results and Conclusion:**

Based on our review, we have identified four observations regarding current Policies and Procedures, and internal controls over the U-Matter Gift Cards. The following is a description of the observations.

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**OBSERVATION 1 (Positive Observation)**

**U-Matter Gift Card Program**

City of El Paso Strategic Plan:

- Goal 6.4 *Implement leading-edge practices for achieving quality and performance excellence*

Based on the results of our review of the U-Matter Gift Cards Program, we identified that:

- U-Matter Gift Cards are being accounted for and tracked accordingly when awarded to a City employee.
- As of July 10, 2024, the remaining U-Matter Gift Cards in stock is 182 cards. All cards were accounted for and are secured inside the safe located at the Office of the Comptroller.
- Procedures are in place to document when U-Matter Gift Cards are stored or removed from the safe by using the In/Out Safe Log.
- Procedures are in place to document the award of U-Matter Gift Cards to City employees. Employees are required to sign the U-Matter Gift Card Recipient Log to show that the employee picked up the card.
- 83 out of 83 (100%) U-Matter Gift Cards awarded during Fiscal Year 2024, were signed by employees as proof of receipt.
- Employee name, Kronos ID, and award amount for 83 out of 83 (100%) U-Matter Gift Card recipients were sent to the Human Resources Department for payroll taxes.

**RECOMMENDATION**

The City Manager’s Office staff overseeing the U-Matter Gift Card Program should continue to ensure that U-Matter Gift Cards are properly safeguarded and tracked.

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**OBSERVATION 2**

**Outdated Policies and Procedures**

City of El Paso Strategic Plan:

- Goal 6.3 *Implement programs to reduce organizational risk.*
- Goal 6.12 *Maintain systems integrity, compliance, and business continuity.*

Best business practices state:

*A strong system of internal controls requires that Policies and Procedures be developed and updated regularly to document routine or repetitive activity followed by an organization. The development and use of Policies and Procedures are an integral part of a successful system as it provides employees with the information and guidance to perform a job properly.*

A review of the *U-Matter Gift Cards Program Policies and Procedures Manual* dated July 11, 2019, identified the following:

- The *Policies and Procedure Manual* is not updated regularly. The *Manual* was last updated on July 11, 2019 (5 years ago).
- The *Manual* does not include procedures for completing the In/Out Safe Log which is used to document when U-Matter Gift Cards are stored or removed from the safe.
- The *Manual* does not include procedures to return any unclaimed gift cards to the safe by the end of day. The current procedure is to store gift cards in the safe located at the Office of the Comptroller at the end of the business day.
- The *Manual* does not include procedures to document the process of two employees being present when storing or removing U-Matter Gift Cards from the safe.

**RECOMMENDATION**

The City Manager’s Office staff overseeing the U-Matter Gift Card Program should:

- Update the *Policies and Procedures Manual* to ensure processes and directives are up-to-date and reflect current procedures.
- Implement a process to periodically review and update the *Policies and Procedures Manual*.

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**OBSERVATION 3**

**U-Matter Gift Cards Inventory Log**

City of El Paso Strategic Plan:

- Goal 6.12 *Maintain systems integrity, compliance, and business continuity.*

The Internal Audit Department performed a reconciliation of U-Matter Gift Cards awarded and cards remaining on-hand. The beginning inventory count of U-Matter Gift Cards, as reported in the most recent reconciliation performed by the City Manager’s Office and the Office of the Comptroller on June 6, 2024, totaled 256 cards. The reconciliation included gift cards that have been awarded and cards remaining in stock. The last purchase of U-Matter Gift Cards was in December 2022.

During the review we identified the following:

- 9 U-Matter Gift Cards were not included in the initial reconciliation. The nine cards were discovered in the safe during a physical card verification count. The cards are part of the U-Matter Gift Card Inventory Log, and each have a value of \$64.59. The total count on the June 6, 2024 reconciliation should have been 265 cards instead of 256 cards.
- 64 U-Matter Gift Card information was not properly transferred from last year’s U-Matter Gift Card Inventory Log dated June 5, 2023 to the current U-Matter Gift Card Inventory Log dated June 7, 2024. City Manager’s Office staff overseeing the U-Matter Program were made aware of the oversight.
- 24 U-Matter Gift Cards were issued the same Assigned Number as another 24 cards. The cards with the same assigned number are still identifiable as they are different denominations; \$25 and \$50.

As of July 10, 2024, the remaining U-Matter Gift Cards was 182 with a total value of \$9,597.40.

Card Face Value	Number of Cards	Purchase Price	Total Value
\$25.00	11	\$26.90	\$295.90
\$50.00	9	\$53.80	\$484.20
\$50.00	153	\$53.83	\$8,235.99
\$60.00	9	\$64.59	\$581.31
<b>Total:</b>	<b>182</b>	<b>-</b>	<b>\$9,597.40</b>

**RECOMMENDATION**

The City Manager’s Office Department staff overseeing the U-Matter Gift Card Program should:

- Ensure that all fields in the U-Matter Gift Card Inventory Log are accurate and complete.
- Avoid using the same Assigned Number to cards, regardless of the denomination amount.

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**OBSERVATION 4**

**Internal Control Weaknesses**

City of El Paso Strategic Plan:

- Goal 6.4 *Implement leading-edge practices for achieving quality and performance excellence*

A review of the U-Matter Award gift card internal controls was conducted. Based on our review the following internal control weaknesses were identified:

- U-Matter gift cards are not issued to employees in sequential order.
- 18 out of 84 (21%) records in the In/Out Safe Log had a second initial to show proof that a second employee was there to confirm the U-Matter Gift Cards removed or placed into the safe. The process of having a second employee initial the log is not being applied consistently throughout the In/Out Safe Log.

**RECOMMENDATION**

The City Manager's Office staff overseeing the U-Matter Gift Card Program should:

- Issue U-Matter Gift Cards in a sequential order.
- Records entered in the In/Out Safe Log should be initialed by a second employee.

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**Conclusion:**

Based on our review of the U-Matter Gift Card Program, we were able to:

- Confirm that all U-Matter Gift Cards are being accounted for and tracked accordingly.
- The City Manager’s Office is accurately tracking the recipients of U-Matter Gift Cards.
- When a City employee receives a U-Matter Gift Card the employee’s name and Kronos ID, along with the U-Matter Gift Card amount, is sent to the Human Resources Department for tax reporting purposes.
- As of July 10, 2024, the remaining U-Matter Gift Cards stock was 182 cards with a combined value of \$9,597.37.

We identified the following areas where internal controls can be strengthened:

- The *U-Matter Gift Cards Program Policies and Procedures Manual* needs to be updated. The Manual was last updated on July 11, 2019 (5 years ago).
- The In/Out Safe Log should be initialed by a second employee to confirm the correct amount of U-Matter Gift Cards are being stored or removed from the safe.

If you have any questions, please feel free to contact me at extension 21365.

cc: Financial Oversight Audit Committee  
Dionne Mack, City Manager  
Margarita Marin, City Comptroller

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