



**The City of
Manchester, NH**

Office of Youth Services

Internal Control Audit

Report No. 2026-004

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Executive Summary

What was audited

An audit of the Office of Youth Services was prompted after an initial introductory department review by the Office of the Independent City Auditor (OICA) risk assessment revealed a lack of available policy and operating procedures, and a lack of internal control for depositing checks.

Further review was initiated to determine if processes and internal controls were in place in regards to purchasing in amounts over \$2,500 and for purchasing card (P-Card) activity, to determine if OYS is compliant with established financial policies to ensure accountability of public funds, and to assess the adequacy of controls over cash equivalents, including gift cards.

Results in Brief

The review of OYS revealed significant weaknesses in internal control and compliance. Evidence indicates potential personal use of P-Cards, improper authorization of P-Card purchases, excessive purchase of gift cards, lack of accountability for purchased gift cards, payment of taxes for shipments to Massachusetts, excessive meal purchases, untimely deposits of funds, and deficient oversight during youth programming.

A more extensive review was prompted after some selected transactions were identified as problematic, and when additional information was received by the OICA, review was extended to prior year transactions.

These findings and observations expose the City to financial loss, reputational risk, and liability concerns. Immediate corrective action is recommended to strengthen oversight, segregation of duties, and adherence to fiscal policy.

Background

The Office of Youth Services participates in various community events with youth programs, funded through appropriated and grant-supported accounts. Primarily, programs are to support youth to succeed at home, in school, in the community, and in their future.

The OYS FY26 operating budget of \$846,091 supports approximately twelve City employees' salaries and benefits, as well as coaching, mentoring and leadership programs for youth clients. The prior year's OYS expenditures were \$659,745 in FY25, and \$594,271 in FY24.

The City of Manchester participates in a purchasing card program to provide a streamline method of purchasing of business-related goods and services. There are three P-cards issued to authorized OYS staff, to purchase necessary small-dollar transactions for operational needs. The years reviewed, FY23, FY24, FY25, and FY26 show purchases exceeding \$64,000.

Audit Objectives

The objectives of this audit were to:

- Research and evaluate compliance with purchasing card policies and authorization procedures.
- Assess internal controls over P-Card purchasing, asset safeguarding, and verifying deposit policy.
- Review the accountability of inventory and gift card distribution.
- Determine whether adequate supervisory oversight exists over youth programs and activities.

Scope and Methodology

The audit covered more than 400 P-Card transactions from January 1, 2023 to September 30, 2025.

- A Review of cardholder statements, and 63% (250 receipts) of transactions.
- Interviewing program and fiscal staff.
- Analyzing office policies specifically; authorization approvals, p-card purchasing, gift card procedures and logs, and deposit policies.
- Review of meeting and event calendars and attendance records and supervision practices.

In addition, a review of other department operating procedures and City Finance procedures, the Auditor reviewed OYS annual reports for FY24 and FY25, and researched background information on OYS grants and office operations information.

Findings, Observations and Recommendations

Finding 1: Inappropriate Use of P-Card

Condition: P-Card transactions, 85 of the reviewed 160, and 38 of the additional 80 for the first six months of 2023 had exceptions or appeared excessive to support program activities, including:

- **Gift cards:**
 - \$11,588 in total purchases, with denominations from \$15–\$200.
 - \$3,323.74 were purchased on the OYS assistants P-Card during the audit period.
 - Gift cards purchased by other authorized users at Director's request were turned over to the Director and not maintained in the office.
 - No distribution logs or records were maintained.
 - Over \$600 worth of gift cards were recorded as payment to an intern.
 - Upon further follow-up by City HR, intern confirmed to have received only a \$130 gift card.
 - All other interns interviewed reported not receiving any gift cards.
 - Activation fees associated exceeded \$775.00.
- **Meals and refreshments:**
 - \$5,344 in meals and tips coded as youth council meetings; had no accompanying agendas, attendance, or minutes available.
 - More than 15 of 50 meal purchases exceeded \$100, totaling more than \$2,744.
 - City policy limits refreshments to nominal amounts (\$2 per attendee in FY24; increased to \$5 per attendee in FY25) when a public benefit is demonstrated.
- **Online purchases:**
 - \$15,910 purchases online, including \$11,182 from Amazon.
 - 42 of the 60 reviewed Amazon transactions included tax totaling over \$560.
 - Additional purchases shipped to MA were also charged tax.
- **Other prohibited or questionable transactions:**
 - \$1,955 in donations.
 - \$2,500 in subscriptions and memberships (Amazon Prime, Zoom, Survey Monkey, podcast, Grammarly), and a podcast platform, all accessible only to the Director.
 - \$4,078 in groceries, snacks for youth meetings lack justification.
 - \$275 for children's back packs and supplies not found to be used for any verified project.
 - \$6,200 in cell phone charges for 6 months, had no detail of purchases.
 - \$8,600 in printing costs, some transactions shipping cost nearly 50% of the total cost.

Documentation did not include required agendas, attendance logs, or cost-per-person calculations. Receipts did not consistently have two authorizations, or any justification.

Criteria:

The City's P-Card Policy prohibits cash equivalents, donations, and personal purchases. It requires that all transactions be properly authorized, supported, and reviewed. Cardholders may not delegate card use or split transactions to circumvent limits. Finance Policy states violations may result in disciplinary action, including termination.

Cause:

Weak oversight and lack of secondary review allowed noncompliant and excessive purchases. The department lacked internal controls for purchasing, tracking, and distributing items, and P-Card program oversight was insufficient to detect or prevent misuse.

Effect:

Improper and unmonitored use of P-Cards resulted in policy violations, misuse of public funds, and unsupported expenditures. The absence of accountability controls increased the risk of financial loss, fraud, and reputational damage to the City.

Recommendations:

- Take appropriate personnel action for confirmed misuse of City funds.
- Require OYS to provide a full accounting of all gift cards purchased, including issuance and distribution records.
- Seek reimbursement for any unallowable or unsupported expenses.
- Limit P-Card transactions and monthly credit limits.
- Require mandatory re-training for P-Card use.
- Require monthly reconciliations to be reviewed by a supervisor and verified by the City Finance team or P-Card Administrator.
- Establish and enforce segregation of duties for all purchasing functions to ensure no individual can initiate, approve, and receive goods or services.
- Define roles and responsibilities for cardholders, approving officials, fiscal officers, and program coordinators to prevent circumvention of controls.
- Ensure all purchases are supported by original itemized receipts, properly approved, and logged with the purpose and program justification, and then uploaded to the Bank of America P-Card system.

Finding 2: Lack of Internal Controls Over Purchasing and Gift Cards**Condition:**

Gift card purchases were authorized solely by the Director without supporting internal controls. Audit review found that:

- Gift cards purchased with department funds were not recorded in an inventory log.
- Cards were **not securely stored** for program distribution.
- **No documentation** existed for card issuance or recipient acknowledgment.
- **No reconciliation** between purchased and distributed cards was available.
- Denominations were **not nominal**; most were Visa gift cards valued at \$25–\$200, incurring additional activation fees.

Criteria:

Gift cards are considered cash equivalents and must be tracked and reconciled monthly.

Under IRS regulations:

- **Gifts** are limited to \$25 per person (IRC §274(b)).
- **Gift cards as compensation** are treated as taxable wages and must be documented accordingly.
- Proper documentation of the business purpose and distribution method is required to ensure compliance and correct tax treatment.

Cause:

Absence of written internal procedures, lack of segregation of duties, and inadequate oversight of purchasing and asset control.

Effect:

Weak internal controls created a **high risk of loss, theft, or misuse** of public funds. The absence of documentation and segregation of duties eliminated accountability and increased the potential for fraud or policy violations.

Recommendations:

- Require all departments to obtain **City Treasurer authorization** prior to initial purchasing of gift cards each Fiscal Year.
- Each Department implement internal controls requiring **monthly reconciliations** of gift cards and **dual authorization** for all purchases and distributions.
- **Prohibit gift card purchases** until sufficient controls are established, including:
 - Maintaining a **gift card log** documenting purchase, issuance, and balance.
 - **Two authorizing signatures** for issuance and reconciliation.
- Conduct periodic reviews by Finance to ensure compliance and accountability.

Finding 3: Improper Authorization and Untimely Deposits

Condition:

Several transactions lacked secondary approval, and one or more deposits were not processed within required timeframes.

Criteria:

City Financial Policies require:

- Supervisory authorization or a secondary approver on all purchases.
- Deposits of all checks **within 24 hours** of receipt.

Cause:

Noncompliance with policy requirements and insufficient management review of purchasing and cash-handling functions.

Effect:

Failure to follow financial procedures exposes the City to **audit exceptions, accountability gaps, and cash-handling risks**, which may lead to financial loss or public distrust.

Recommendations:

- Enforce **timely deposit procedures** in compliance with City Finance Policy.

- Require **documented supervisory sign-off** for all P-Card and purchase transactions.
- Conduct **periodic compliance reviews** to verify that deposits and approvals occur within required timeframes.
- Provide **refresher training** for staff responsible for cash handling and purchasing authorization.

Observations:

1. Inadequate Supervision During Youth Programs

Condition:

It was reported by staff that they were not aware of staff other than Director present during Youth program sessions which were routinely conducted, activities were inconsistently monitored or documented.

Criteria:

Youth safety best practices recommend that **no one-on-one meetings** occur between staff and participants and that **two authorized adults** be present during all youth engagements.

Cause:

Insufficient staffing, poor scheduling coordination, no written policies and procedures, and a lack of oversight.

Effect:

Failure to maintain adequate supervision creates **liability and safety risks** for both youth participants and staff, exposing the City to potential claims and reputational harm.

Suggestions:

- Require at least **two authorized staff or one staff member and one approved volunteer** at all youth activities.
- Develop and maintain **contingency staffing plans** to ensure coverage in the event of absences.
- Update departmental policy to clearly define **supervision standards, reporting procedures, and documentation requirements.**
- Conduct **annual youth safety training** for all employees and volunteers.
- Require two staff or one staff plus an approved volunteer to be present at all youth meetings; develop contingency staffing plans.

2. Use of City Facilities for Personal Activities

During interviews it was reported the Director may have been conducting personal podcasts after hours using City-owned equipment possibly purchased with grant funds.

Effect:

Misuse of public resources and potential noncompliance with grant requirements.

Suggestion:

Immediately discontinue all non-program-related activities conducted on City property and verify grant fund compliance.

3. Subscriptions and Memberships

Department-paid memberships and subscriptions were not shared with staff.

Suggestion:

Ensure all business-related subscriptions are shared among staff or terminated if no longer necessary for operations.

4. IT Purchases

IT-related purchases lacked documentation of IT Department review or approval.

Suggestion:

Require an **IT waiver or approval memo** to accompany all technology-related purchase requests to confirm compatibility and cybersecurity compliance.

5. Intern Onboarding

Office intern records did not align with HR office intern files.

Suggestion:

Require OYS to work with HR for them to verify and maintain **complete onboarding documentation** for all interns, ensuring background checks, agreements, and start/end dates are on file.

Conclusion:

The Department's internal control environment over purchasing, cash equivalents, and youth safety is **insufficient and requires immediate corrective action**. Current practices fail to ensure proper stewardship of public funds or compliance with City financial and operational policies.

To restore accountability and mitigate risk, management must:

- Implement and enforce comprehensive internal controls;
- Strengthen oversight of P-Card use, purchasing, and asset management;
- Enhance segregation of duties;
- Improve monitoring and reconciliation procedures; and
- Ensure staff training and policy compliance at all levels.

Effective internal control is a **dynamic process** that must adapt to organizational and environmental changes. Continuous **monitoring and timely remediation** of control deficiencies are essential to safeguard public resources and maintain public trust.

Management Response

To be completed by department:

Concur / Non-Concur response to each finding, write planned corrective actions, and target completion dates.

Detail Attachment

P-Card Purchases 01/01/2023 – 09/30/2025

Purchase Type	Total
Award	185.67
Clothes	102.87
Donation	1,955.00
Event	247.50
Food/Meals	5,343.93
Gift Cards*	10,493.67
Grocery	4,078.34
IT Equip	509.98
Parking	15.00
Printing	8,609.37
Product**	14,064.29
Software Subscription	302.45
Subscription/Memberships	2,194.07
Training	2,485.95
Travel	2,508.86
Uber Eats***	149.28
Unknown	1,047.12
(Blank)	4,108.33
Cell Phones	6,201.60
Grand Total	64,603.28

- *This is higher, other users purchased and turned over to the director.
- **May include more IT equipment
- ***Refunded by the Director
- This is not a total of all purchases within the department for the review period, it is primarily P-Card purchases of the Director.