



Sam M. McCall, CPA, CGFM, CIA, CGAP
City Auditor

AUDIT OF ANIMAL SERVICE CENTER REVENUES

*Management needs to takes
measures to strengthen controls
and current policies, procedures,
and practices.*

HIGHLIGHTS

Highlights of City Auditor Report #0701, a report to the City Commission and City management.

WHY THIS AUDIT WAS DONE

This audit was conducted at the request of management subsequent to a separate review of the Animal Service Center (ASC) completed by the Humane Society of the United States in July 2005. The purpose of the audit was to determine if financial controls over revenues and related processes are adequate.

This audit focused on the eight-month period October 2005 through May 2006 (recent activity). During that period the ASC received and processed in excess of 6,000 animals. Funds received by or on behalf of the ASC during that period totaled almost \$386,000. Those funds represented (1) fees collected primarily for adoptions, impoundment and boarding of animals, and merchandise sales; (2) donations; and (3) County funds paid for a proportionate share of ASC operational costs pursuant to a City-County agreement.

WHAT WE RECOMMEND

Improvements should be made to enhance the processing, accountability, and security of collections. A comprehensive and documented fee policy should be established and an official fee schedule published. Impound fees should be properly and consistently charged. The current fee structure should be revised upon completion of planned changes. Out-of-County animal intake fees should be properly classified and recorded. Actions should be taken to ensure that the County is accurately and correctly billed for its share of costs. Animal jurisdictions should be correctly determined and recorded. Adoption refunds should be properly authorized and recorded and timely processed. Certain Chameleon system permission should be removed and/or reassigned. Recorded animal data should not be improperly overwritten. Applicable ASC records should be retained and efficiently stored. Existing written policies and procedures should be updated, provided to staff, and staff trained on those policies and procedures.

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Audit Conducted by T. Bert Fletcher, CPA

WHAT WE FOUND

Overall, we found that fees were charged for services and merchandise and that collections were timely processed and deposited. We also found that the County was timely billed and properly remitted funds to the City for a share of ASC operational costs. Furthermore, adequate controls were generally in place to ensure that collections were safeguarded, accounted for, and deposited. Nonetheless, we noted various issues that indicate management should take measures to strengthen controls and current policies, procedures, and practices.

Processing and Safeguarding Collections. Forms did not provide for the required reporting of cash shortages and overages. Batch reports showing credit card transactions were not always generated and/or used in daily closeout procedures. Staff did not always initial records as evidence that appropriate closeout procedures were followed. Some TREATS donations were inappropriately accepted. TREATS donations were not timely submitted to that organization. Access to a lock box used for ASC donations was not adequately restricted. A safe combination was not periodically changed.

Fee Assessments. Several issues were identified:

- Fee waivers and reductions were not always clearly justified and/or authorized.
- Impound fees were not always consistently and correctly applied.
- There was no comprehensive and published fee schedule.
- Out-of-County animal drop off fees were recorded and deposited as donations instead of fees.

County Participation. The net effect of errors identified in the annual adjustment for FY 2005 resulted in the County being under-billed \$7,928. The City and County need to agree on the appropriate interpretation of contractual terms addressing determination of the County's proportionate share of costs. Jurisdictions (City, County, other) were not always correctly determined and recorded for animal intakes.

Other. Other issues identified included:

- Adoption refunds were not always properly authorized, recorded, or processed in a timely manner.
- Some Chameleon system permissions were not assigned in accordance with good internal control practices.
- Chameleon system animal data was sometimes improperly overwritten (deleted).
- Certain records were not retained and/or efficiently filed.
- Existing ASC policies should be updated.

**Animal Service Center
Revenues and Related Activities**

AUDIT REPORT #0701

October 12, 2006



Copies of this audit report #0701 (project #0609) may be obtained from the City Auditor's web site (<http://talgov.com/auditing/index.cfm>), by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

Audit conducted by:

Bert Fletcher, CPA, Senior Audit Manager

Sam M. McCall, CPA, CGFM, CIA, CGAP, City Auditor

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Animal Service Center Revenues and Related Activities



Sam M. McCall, CPA, CGFM, CIA, CGAP
City Auditor

Report #0701

October 12, 2006

Executive Summary

We reviewed recent revenues and related animal activity.

During the 8-month period October 2005 through May 2006, ASC revenues totaled \$385,895.

Overall, procedures and controls were in place to provide for assessment of fees and proper processing and deposit of funds.

However, various issues were identified that indicate the need to strengthen controls and current policies, procedures, and practices.

This audit addressed revenues and collections received at and for the Tallahassee-Leon Community Animal Service Center (ASC). The primary focus of this audit was revenue and related animal activity during the 8-month period October 2005 through May 2006. Some audit procedures extended to activity during fiscal year (FY) 2005. This audit was performed at the request of NCS and ASC management subsequent to a separate review of the ASC completed by the Humane Society of the United States in July 2005. Management's stated intent for this audit was to identify any other issues (i.e., in addition to those identified by the Humane Society's review), thereby allowing development of a single comprehensive plan of action for improving and enhancing ASC controls, procedures, and processes.

During the FY 2005 (most recently completed fiscal year), ASC revenues totaled \$592,520. During the 8-month period upon which this audit focused, the ASC revenues totaled \$385,895. During that 8-month period, ASC recorded 6,136 animal intakes and 6,095 animal dispositions (adopted, returned to owner, fostered, euthanized, etc.). Fees were assessed and collected for adoptions, impoundments, boarding, merchandise sales, and embedding microchips. Funds were also received as donations and for reimbursements of veterinary services. In addition, the County paid the City funds for a proportionate share of ASC operational costs.

Overall, we found that fees were charged for services and merchandise and that collections were timely processed and deposited. We also found that the County was timely billed and remitted funds to the City for a share of ASC operational costs. Furthermore, adequate controls were generally in place to ensure that collections were safeguarded, accounted for, and deposited. Notwithstanding those assurances, we noted various issues that are indicative of management's need to ensure that fees are properly and correctly charged for services and to otherwise take action to strengthen controls and current policies, procedures, and practices. Accordingly, recommendations were made within this report to:

Recommendations were made to improve processing and safeguarding of collections; ensure correct and accurate fee assessments; and ensure appropriate County participation in ASC operational costs.

We also recommended improvements in processing adoption refunds and record retention practices and in maintaining controls over the Chameleon system.

- Improve processing and accountability of collections.
- Better secure collections.
- Establish a comprehensive fee policy and/or procedure addressing fee waivers and reductions; and better document authorizations and justifications for fee waivers and reductions.
- Properly and consistently charge animal impound fees.
- Establish and publish a comprehensive and official ASC fee schedule.
- Propose appropriate revisions to the current fee structure upon completion of planned changes in the manner that animals are processed and based on the results of a recent external fee study.
- Properly classify and record out-of-county drop off fees.
- Proceed with a planned pilot project that may result in additional revenues by closing the ASC Holding Pen while continuing to charge out-of-county animal drop off fees.
- Accurately and correctly bill the County for its proportionate share of ASC operational costs.
- Properly determine and record animal jurisdictions in the Chameleon system.
- Ensure that adoption refunds are authorized, properly recorded, and timely processed.
- Ensure that Chameleon system permissions are properly assigned, used, and otherwise controlled.
- Ensure that recorded animal data is not improperly deleted.
- Provide for the proper and efficient retention of ASC records.
- Update written policies and procedures, provide those policies and procedures to staff, and properly train staff on those updated policies and procedures.

In addition, in response to a non-revenue issue addressed in a prior audit, we recommended that ASC continue efforts to ensure that required animal sterilizations are done.

We would like to acknowledge the full and complete cooperation and support of ASC, NCS, DMA (Budget and Policy and Accounting Services), and Treasurer-Clerk (Revenue division) staffs during this audit.

Animal Service Center Revenues and Related Activities



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City Auditor

Report #0701

October 12, 2006

Objectives

This audit addressed whether ASC fees and revenues were properly charged, collected, processed, accounted for, and deposited.

The objectives of this audit were to: (1) determine if revenues for animal adoptions, animal impoundments and boarding, and other miscellaneous items (embedding microchips, merchandise sales, etc.) were properly charged and collected; (2) fee waivers and reductions were properly authorized and adequately explained/justified; (3) revenues, deposits, and donations were properly accounted for; (4) collected revenues, deposits, and donations were properly safeguarded and timely deposited into the appropriate bank account or otherwise properly disposed; (5) refunds of revenues were properly authorized and documented; (6) recorded non-revenue dispositions of animals (e.g., transferred, euthanized, fostered) were adequately supported; (7) amounts were properly billed to and collected from Leon County for the County's share of the Animal Service Center's operational costs; and (8) evidence was maintained documenting that required animal sterilizations had been performed for adopted animals. Inherent in those objectives was a determination of the adequacy of internal controls over revenues and related activities, including the software system used to account for animal activity.

Scope

This audit focused on recent animal and related activity that impacted revenues.

The scope of this audit included a review of recent animal activity at the Tallahassee-Leon Community Animal Service Center (ASC). The audit focused primarily on activity for the 8-month period October 2005 through May 2006. Some audit procedures extended to activity during fiscal year (FY) 2005.

Methodology

We reviewed processes and records, interviewed applicable staff, analyzed recorded activity, and selected and tested representative samples of transactions.

To address the stated audit objectives we reviewed procedures, processes, records, reports, and software maintained/used at the ASC. We interviewed ASC staff, as well as applicable staff of the Department of Neighborhood and Community Services (of which ASC is part), the Department of Management and Administration (DMA) Budget and Policy division, and the Treasurer-Clerk's Revenue division. Transaction populations were data mined (i.e., analyzed for the purpose of identifying unusual activity). Representative samples of transactions were selected and tested.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards and Standards for the Professional Practice of Internal Auditing.

Background

This audit was conducted at the request of NCS and ASC management.

General. The ASC is organizationally under the Department of Neighborhood and Community Services (NCS). The ASC enforces animal control ordinances, shelters stray and homeless pets, and operates adoption, euthanasia, foster care, and humane education outreach programs. Leon County participates in ASC services through a contractual arrangement with the City.

This audit was conducted at the request of NCS and ASC management based on management's desire to develop a comprehensive plan of action addressing all pertinent ASC issues, including issues identified in a separate review completed by the Humane Society of the United States in July 2005 and any issues identified in a separate financial audit (i.e., this audit). That request was also based on management's desire that financial controls over ASC revenues and related activities remain adequate after implementation of recommendations stemming from a prior audit and related follow up engagements performed by the Office of the City Auditor. In that prior audit, covering activity during the period June 1999 through June 2002, significant deficiencies in financial controls at the ASC were identified. One result of those deficiencies was that ASC records did not account for the disposition of all revenues collected during that period. Based on the City Auditor's subsequent follow up on those deficiencies, it

was reported that appropriate corrective actions had been implemented to address the noted deficiencies. Notwithstanding the implementation of corrective actions, the ASC has undergone significant management and staff turnover since the prior audit and related follow up engagements.

Animal Activity. The ASC uses the Chameleon system (software program and database) to account for activity relating to animals brought to the ASC. Each animal is assigned a unique identification number. The Chameleon system is used to record the following information relative to animals and related fees:

- Data unique to each animal such as description, condition, and behavior.
- Type and method of animal intake (picked up or confiscated by City or County animal control officer, found and turned in by individual that is not the owner, surrendered by owner, returned by adopter, etc.)
- Jurisdiction (e.g., City, unincorporated county, other county) where animal was from and address or other description of area where animal was found.
- Demographical data on owners and adopters.
- Fees charged and collected (e.g., for adoptions, impoundment, boarding, merchandise sales) and donations received.
- Disposition of each animal (adopted, returned to owner, fostered, transferred to another entity, euthanized, etc.).

The Chameleon software system is used by the ASC to account for and track animals and related fees.

The Chameleon system is also used to generate summary reports on animal activity as well as daily cash collection reports. Because the Chameleon system provides an accounting for animals and related fees, access to the system's various components should be controlled and restricted to authorized staff. Such control is available through the establishment and assignment of system permissions. Individuals can access and view and/or update/revise only the data allowed by their assigned system permissions.

During the 8-month period October 2005 through May 2006, ASC animal intakes as recorded in the Chameleon system consisted of the following:

During the 8-month period October 2005 through May 2006, the ASC received 6,136 animals.

ANIMAL INTAKES BY SOURCE (For the 8-month Period October 2005 through May 2006)	
Source	Number of Animals
OWNER SURRENDER (e.g., for adoption or specific request for euthanasia)	1,625
PICKED UP BY ANIMAL CONTROL OFFICER (e.g., stray or feral animals)	2,118
PICKED UP BY CONCERNED INDIVIDUAL AND BROUGHT TO ASC (e.g., stray animals)	1,589
CONFISCATED (e.g., due to aggressive behavior or due to owner cruelty, death, hospitalization, or incarceration)	230
RETURN FROM FOSTER CARE	163
RETURN BY ADOPTER	186
MISCELLANEOUS (i.e., quarantined, transferred from another entity, or feral animals trapped by an animal control officer)	225
Total	6,136

The recorded jurisdictions of those 6,136 animals received at the ASC during that 8-month period are shown in the following table.

ANIMAL INTAKES BY JURISDICTION (For the 8-month Period October 2005 through May 2006)	
CITY (from within the City limits)	3,609
LEON COUNTY (unincorporated Leon County)	2,130
OUTLYING COUNTIES (Franklin, Gadsden, Liberty, Madison, Taylor, Wakulla, South Georgia)	127
UNKNOWN (animals anonymously placed in ASC Holding Pen and/or jurisdiction unknown)	270
Total	6,136

Animal dispositions recorded in the Chameleon system during that same 8-month period are reflected in the following table:

ANIMAL DISPOSITIONS BY TYPE (For the 8-month Period October 2005 through May 2006)		
Disposition	Subject to Fees? (NOTE 1)	Number of Animals
ADOPTION	Yes	1,818
RETURNED TO OWNER	Yes	738
EUTHANIZED	No	2,897
FOSTERED	No	345
TRANSFERRED	No	113
DIED (due to medical condition)	No	96
MISSING	No	45
RELEASED (non-domesticated animals)	No	43
Total		6,095
NOTE 1: Total of 2,556 dispositions subject to fees		

During the 8-month period October 2005 through May 2006, animal dispositions totaled 6,095, of which 2,556 were subject to fees.

Fees. Revenues are generated at the ASC through various fees, including:

Fees are assessed for adoptions, impoundment and boarding, merchandise sales, embedding microchips, veterinary services, and for out-of-county animal drop offs.

- Adoption of sheltered animals, primarily dogs and cats. While our audit showed that the fee varies based on circumstances, the basic adoption fee for dogs and cats was \$50.
- Fees charged to individuals who claim their animals that have been impounded and/or boarded at the ASC for various reasons. Those fees vary depending on whether the animal was picked up inside or outside the City limits, the number of previous offenses that an animal owner has, the number of days that the animal is boarded, and whether the animal has been vaccinated against rabies. Impound fees ranged from \$15 to \$75, while boarding fees were \$9 per day, or \$9.64 per day if the animal was being boarded after biting someone or another animal. In addition, if an owner claiming an animal cannot demonstrate that the animal had been vaccinated against rabies, the owner was charged an additional \$8 for application of that vaccination by the ASC.
- Fees collected for the sale of collars, leashes, and animal carriers. Those fees varied based on the specific type and size of the merchandise sold, and typically ranged from \$4 for an animal carrier to \$12.90 for a large leash.
- Fees for the placement of microchips in animals for identification purposes. The standard fee for embedding microchips was \$15.
- Fees charged as reimbursement for in-house veterinary services provided by the ASC staff (e.g., \$15 for testing and vaccinations).
- Fees charged as reimbursement to the ASC for veterinary services (e.g., testing, vaccinations, sterilizations) provided by external veterinarians/clinics at the request of ASC. Those fees

varied based on the services, but were typically either \$35 or \$50.

- A \$50 fee charged to individuals leaving out-of-county animals at the ASC. This fee was implemented during FY 2006.

All fees should be deposited into the City's General Fund.

Donations are accepted at the ASC for both the ASC and the non-profit TREATS organization.

Donations. ASC staff receives and processes donations (made by cash, check, or by credit card) to the ASC. Individuals may give their donations to ASC staff or put them in a lock box placed in the ASC lobby for that purpose. In addition, ASC staff receives and process donations on behalf of the non-profit TREATS organization for individuals wishing to donate to that entity using their credit cards. For individuals wishing to donate to TREATS by cash or check, the ASC has placed a secured TREATS lock box in the ASC lobby. Donations received on behalf of TREATS are to be forwarded to that entity. The TREATS organization may use their donations to benefit the ASC. Donations for the ASC (and not for TREATS) are deposited into a special City trust fund that is available for use by the ASC upon City Commission approval.

Until recently, the ASC accepted deposits for animal sterilizations; now deposits are only accepted for use of ASC traps.

Deposits. Section 823.15, Florida Statutes, provides that dogs and cats released for adoption by a public animal shelter shall be sterilized. Prior to the start of our audit fieldwork in June 2006, the ASC required adopters, choosing a "nonparticipating veterinarian," to pay a \$50 deposit for animals that could not be sterilized at the time of adoption due to health issues or lack of physical maturity. Once the veterinarian performed the required sterilization and evidence of such was provided to the ASC, the deposit was refunded to the adopter. ("Nonparticipating veterinarians" are veterinarians that do not have agreements with the ASC to perform sterilizations for adopted animals. For "participating veterinarians," who have agreements with the ASC, the adopter pays a deposit to the veterinarian. After the veterinarian completes the sterilization, the veterinarian applies the deposit to the sterilization fee and notifies the ASC that the required sterilization was performed.) In

recent months, ASC stopped allowing adopters to use “non-participating veterinarians.” As a result, those deposits are no longer collected.

In addition, the ASC has recently implemented a policy where individuals paying a \$65 deposit to the ASC can use an ASC-owned trap to catch feral animals on their property. Trapped animals must be transported to the ASC. Upon return of the trap to the ASC, the deposit is to be refunded to the customer. As of the time of our audit fieldwork, no trap deposits had been collected by ASC. (ASC staff indicated that, as the date of our fieldwork, no public requests had been made for those traps.)

The County is billed for its share of ASC costs.

County Funding. As noted above, Leon County (County) also participates in ASC services. Based on the governing contractual agreement covering the period January 2003 through September 2008, the County is responsible for a proportionate share of the costs for kennel services, administrative services, adoption services, and humane education. The contract provides a formula for the determination of that proportionate share. Funds owed by the County are not collected at the ASC. Instead, the County is billed through the City’s accounts receivable function (administered by the DMA Accounting Services section) with the resulting payments being sent by the County directly to the City Treasurer-Clerk’s Revenue division.

Total Fees and Collections. For the most recently completed fiscal year (FY 2005), revenues and collections totaled \$592,520, as shown in the following table.

ASC revenues and collections in FY 2005 totaled \$592,520.

FY 2005 ASC Collections	
Adoptions	\$116,258
Impounding & Boarding	\$52,840
Merchandise Sales (collars, leashes, carriers)	\$1,942
Microchips	\$795
Reimbursement for veterinary services	\$10,066
ASC Donations	\$14,467
TREATS Donations	\$395
Spay and Neuter Deposits (Note 1)	\$10,750
Miscellaneous	\$479
County Funding (Note 2)	\$384,528
TOTAL	\$592,520
Note 1: These deposits are no longer collected at the ASC.	
Note 2: These funds are collected by the City's Revenue division and not by the ASC.	

For the 8-month period October 2005 through May 2006, revenues and collections totaled \$385,895 as shown below.

ASC revenues and collections during the 8-month period October 2005 through May 2006 totaled \$385,895.

ASC Collections	
For the 8-month Period October 2005 through May 2006	
Adoptions	\$72,758
Impounding & Boarding	\$33,142
Merchandise Sales (collars, leashes, carriers)	\$1,416
Microchips	\$825
Out-of-County Fees (Note 1)	\$1,125
Reimbursement for veterinary services	\$3,235
ASC Donations	\$18,818
TREATS Donations	\$30
Spay and Neuter Deposits (Note 2)	\$140
Miscellaneous	\$65
County Funding (billed and received to date) (Note 3)	\$254,341
TOTAL	\$385,895
Note 1: New fee implemented during FY 2006. Note 2: These deposits are no longer collected at the ASC. Note 3: These funds are collected by the City's Revenue division and not by the ASC.	

Fees are assessed and collected by ASC animal services specialists, prepared for deposit by the administrative specialist, and transported to the bank by the City's contracted armored courier.

Processing collections. Fees are collected at the ASC by animal services specialists assigned to work at the front desk. Those employees serve individuals entering the ASC for various purposes, including wanting to adopt an animal, locate a lost animal, surrender an animal, claim an impounded animal, etc. Each of those employees is assigned a cash drawer with a unique lock and key to which only that employee is given custody. For services involving assessment and collection of a fee, the related activity (e.g., adoption, claiming an impounded animal, merchandise sale) is recorded and reflected in the Chameleon system by an animal services specialist. Individuals may pay fees using cash, checks, or credit cards.

At the end of the day, each animal services specialist working the front desk balances/reconciles the funds in his/her assigned cash drawer to collections he/she recorded in the Chameleon system. The applicable supervisory employee, usually an animal care supervisor, verifies that process. The funds and related cashing reports generated from the Chameleon system are then locked in a secured safe until the next workday. The next workday, the employee working in the administrative specialist position obtains the funds and related reports, re-verifies that the funds and reports are reconciled, and prepares the funds for deposit. Twice a week the City's contracted armored courier picks up the prepared deposits at the ASC and delivers them to the bank for deposit. The daily cashing report ("Daily Cash Report") is submitted to the Treasurer-Clerk's Revenue division. That report provides the basis for the recording of the appropriate accounting entries into the City's financial accounting system (PeopleSoft Financials). A copy of the Daily Cash Report is also provided to the ASC manager for review and approval.

Adoption refunds are granted under certain circumstances.

Adoption Refunds. Individuals adopting animals from the ASC may return the animal and obtain a refund of their adoption fee at anytime within 15 calendar days of taking possession of the animals. Refunds are also given if an animal dies within 15 days of the adoption, if the reasons for death are other than negligence by the adopter. Refunds may be granted in other special circumstances upon authorization by ASC management. Refunds are recorded in the Chameleon system using a designated receipt type, i.e., the "F receipt." During the 8-month period October 2005 through May 2006, the Chameleon system reflects 47 adoption refunds totaling \$2,325.

Overall Summary

While we found that fees were generally charged and collections were generally properly processed and deposited, we noted numerous issues indicating the need for enhancements in current processes and practices.

The results of our audit procedures showed that, overall, collections were properly deposited and accurately accounted for by the ASC. Although not always properly assessed, we found that fees were generally charged for applicable activities. Overall, we also found that the City is properly billing and collecting funds from the County, and adoption refunds are generally appropriate and accurately accounted for in ASC records. Controls relative to the Chameleon system were generally adequate and ASC records generally retained and available for review. However, various issues were identified that indicate ASC management needs to make enhancements and improvements to current processes and practices. Those issues and our related recommendations are addressed in the following sections of this report.

Processing and Safeguarding Collections

Daily cashier reports should be modified to provide designated spaces for reporting identified cash shortages or overages, or the lack thereof.

In all tested instances, collections were properly deposited and generally adequately safeguarded and properly and accurately accounted for by the ASC. However, some issues were identified for which recommendations are made to enhance the accountability and security over collections. Those issues and recommendations are addressed below.

Forms should be modified to clearly document the existence of cash shortages and overages, or lack thereof. The Chameleon system generates reports that reflect daily collections for each animal services specialist working as a cashier. Each cashier uses those reports at the end of the workday to reconcile system-reported collections to funds in his/her assigned cash drawer. If no errors or discrepancies (e.g., diversions) occur, the funds in the cash drawer should equal the sum of the system-reported collections and the \$100 cash fund (e.g., imprest funds used to make change) assigned each cashier at the beginning of the workday. If any errors or discrepancies do occur, they will be identified by that reconciliation process through noted cash shortages or overages. Current ASC policy requires that such errors and discrepancies be documented on the applicable reconciliation records. Identification and reporting

of those errors and discrepancies (cash shortages and overages) helps management to effectively monitor and oversee cashiering operations.

While the daily collection reports generated by the Chameleon system provide a comment section (i.e., for handwritten comments), they do not provide designated spaces for reporting cash shortages or overages, or the lack thereof. As cashiering operations frequently result in some cash shortages and overages (i.e., generally due to errors), we recommend that the current system-generated form be revised to include spaces for documenting cash shortages or overages. Any identified shortages and overages should be reported in those spaces. If no shortage or overage occurs, the cashier should document that circumstance by placing a zero in the spaces used to document a cash shortage or overage. For proper accountability, cash shortages and overages should be reported as such on the Daily Cash Report sent to the Treasurer-Clerk's Revenue division. (NOTE: ASC staff asserted that such shortages and overages rarely occur, and when they have occurred they may have been noted in the written comment section of the reports. However, ASC staff also acknowledged that \$24 found in the safe, for which the source was not identified, may have been the result of accumulated cash overages/shortages that were not properly accounted for and reported.)

Batch total reports showing total credit card collections should always be generated and reconciled to credit card collections recorded in the Chameleon system and reported to the Treasurer-Clerk's Revenue division on Daily Cash Reports.

Individuals may choose to pay their fees by credit card. Individuals that pay by credit card and are subsequently due a refund may also be refunded through a credit charge to their credit card. As assurance that all credit card transactions are properly accounted for and reported, current ASC policy requires designated ASC staff to (1) generate a daily batch total report from the bank's credit card machine located at the ASC (i.e., machine used to accept and process credit card transactions) and (2) reconcile the activity

reflected on that batch report to credit card transactions reported in the Chameleon system and on Daily Cash Reports sent to the Treasurer-Clerk's Revenue division. Undetected errors that occur because such verifications are not done will result in out-of-balance conditions between the City's accounting records and available cash funds reported by the bank.

In our test of daily activity for a judgmental sample of 30 days, we noted the following:

- For one day there was no batch total report attached to the cash collection records prepared for that day. Accordingly, there were no records on hand to ensure that all credit card transactions had been properly reported in the Chameleon system and on the applicable Daily Cash Report.
- For one day, the batch total report was produced and was attached to the back of that day's cash collection records. However, ASC staff did not reconcile the transactions on that batch report to the credit card collections reflected in the Chameleon system. As a result, ASC staff did not detect two credit card transactions totaling \$150 that had not been recorded in the Chameleon system. That, in turn, resulted in credit card transactions being incorrectly reported on the Daily Cash Report and an unresolved out-of-balance condition between the City's records and the bank's records. (NOTE: During our audit fieldwork we became aware of another instance where credit card transactions reflected on the credit card batch total report were not properly reported on the applicable Daily Cash Report sent to the Treasurer-Clerk's Revenue division. That instance also resulted in an unresolved out-of-balance condition of \$150. Upon notification of these occurrences, City Accounting Services staff corrected City financial records for these errors.)

Batch total reports reflecting total credit card transactions should always be generated and reconciled to charges in the Chameleon system and reported on Daily Cash Reports.

To ensure accurate reporting of cash transactions and to preclude unresolved out-of-balance conditions, ASC staff should ensure that

credit card batch total reports are always generated and reconciled to credit card transactions recorded in the Chameleon system and reported to the Treasurer-Clerk's Revenue division.

Chameleon system reports should be independently generated by the employee (administrative specialist) responsible for verifying and processing collections for deposit. The employee working in the administrative specialist position is responsible for obtaining daily collections (i.e., for the previous workday) from the safe and independently verifying that those funds agree with collections reported in the Chameleon system as to amount and composition (i.e., cash, checks, and credit card). That verification provides an independent assurance that collections were properly reported and turned in by employees working as cashiers, as well as their supervisors.

The employee preparing and processing collections for deposit should independently generate Chameleon system collection reports for use in the verification function assigned to that employee.

We noted that in performing those independent verifications, the employee working in the administrative specialist position (administrative specialist) used Chameleon system reports generated by cashiers or the closing supervisors. Using reports generated and provided by cashiers or the closing supervisors allows those employees the capability of concealing errors or unauthorized diversions of collections by generation of incomplete (i.e., before the day's business is finished) or fraudulent reports.

In response to our inquiry on this matter, ASC staff indicated that the administrative specialist did not have Chameleon system permissions allowing the direct generation of applicable daily collection reports. Accordingly, those reports had to be generated and provided by the cashiers or their supervisors. We recommend that actions be taken such that the administrative specialist is provided the system permission needed to independently produce the described reports. After that system permission is provided, that employee should commence independent generation of reports used in the daily reconciliation and verification responsibilities assigned that position.

Efforts should be made to ensure that employees initial applicable records documenting their reconciliation and verification of daily collections.

Efforts should be enhanced to ensure that cashiers, closing supervisors, and the administrative specialist document that they have reconciled/verified daily collections and reviewed daily cashier reports. Each cashier, closing supervisor, and the administrative specialist are required by ASC policy to reconcile collected funds to collections reported in the Chameleon system. Those reconciliations ensure that collections are available for deposit and properly accounted for in the system. Pursuant to ASC policy, each of those employees is required to document his/her reconciliation by initialing the applicable records. Accordingly, the applicable Chameleon system collection reports provide spaces for the cashier, closing supervisor, and administrative specialist to initial. Our review of 76 individual cashier collection reports, pertaining to activity for 30 judgmentally selected days, showed that:

- Two were not initialed by the applicable cashier,
- Twenty-three were not initialed by the applicable closing supervisor, and
- Eight were not initialed by the administrative specialist.

To clearly demonstrate that the staff has ensured that daily collections are available for deposit and properly accounted for, we recommend that ASC management emphasize to the applicable employees the importance of initialing the applicable reports.

ASC staff should not accept cash or check donations intended for TREATS. Treats funds collected to date should be remitted to that non-profit organization.

A few TREATS donations were inappropriately accepted and processed by ASC staff; deposited TREATS donations have not been remitted to that organization. Pursuant to documented policy, the only circumstance in which ASC staff is authorized to accept and process TREATS donations is when the applicable individual donates by credit card. For individuals wanting to donate by cash or check, the ASC has provided a secured lock box in the ASC lobby, to which only authorized TREATS representatives are allowed access. Contrary to that policy, ASC staff accepted, processed, and deposited into the City's bank

account three checks totaling \$195 that represented TREATS donations.

Furthermore, we noted that ASC has not remitted nine TREATS donations received over the last three years, totaling \$696 (includes the three checks for \$195), to the TREATS organization. Accordingly, the City is incorrectly holding funds that belong to that organization.

We recommend that management emphasize to ASC staff that individuals wanting to donate funds to TREATS by cash or check must use the available lock box. In addition, the ASC should take immediate action to remit the \$696 to TREATS.

The lock box used to collect ASC donations should be adequately secured with access limited to authorized staff.

The lock box used to collect ASC donations should be secured with access limited to authorized staff.

A lock box (i.e., a three foot tall dog statue with an open slot for coins and currency) was placed in the ASC lobby for patrons to place donations to the ASC (i.e., if they choose not to give them directly to an animal services specialist working the front desk). During our fieldwork, we noted that the lock box was not adequately secured as it was (1) not permanently attached to the floor or other non-movable structure and (2) secured with a common kennel lock to which most, if not all, ASC staff either had a key or access to a key. Donations placed in that lock box generally were not significant (i.e., staff indicated that an amount approximating \$20 was typically removed each week for processing and deposit). Regardless, actions should be taken to restrict access to a few authorized staff and to permanently attach the lock box to a non-movable structure. (NOTE: As of the end of our audit fieldwork, this issue had been partially resolved as a new lock was placed on the lock box with the corresponding key assigned to a managerial employee.)

The combination to the safe in which daily collections are secured pending preparation and pick up for deposit should be periodically changed. During our audit fieldwork, we noted that the combination to the safe used to secure daily collections, as well

The safe combination should be periodically and timely changed.

as cashiers' imprest funds (totaling \$400), had not been periodically changed. In addition, we noted that the combination had not been changed after a recent supervisory employee, with knowledge of the safe combination, terminated employment with the City. Sound internal control practices require safe combinations to be periodically changed, especially after employees with knowledge of the combinations terminate their employment. We recommend that the safe combination be changed and that ASC management emphasize the importance of periodic and timely changes of the safe combination. (NOTE: At the end of our audit fieldwork, ASC management changed the safe combination.)

Management should consider providing a more secure location for the processing and preparation of collections for deposit.

Consideration should be given to finding a more secure location for the processing and preparation of daily collections for deposit. The administrative specialist is responsible for taking collections from the safe and preparing cash reports and deposits. That employee performs those functions in an office that was created by partitioning off a section of the lobby that is opposite the cashiering station (front desk). That office cannot be locked and can be viewed by individuals, including the public, that enter the lobby and walk around the corner of the partitioning wall. Accordingly, to reduce the exposure of collections to theft or loss, that employee must remain in that office while processing collections or lock those funds in a desk drawer within that office or in the safe located in a room on the opposite side of the building. While adequate safeguards are employed, this process is not as safe or efficient compared to providing a lockable office with a safe for this function. Management indicated it was aware of this risk and that due to other considerations, the current set-up was determined to be the most appropriate approach. (A primary concern was that the assistant manager needed the only lockable office with a safe to monitor cashiers and customer activity, as that office had a large window providing a direct view into the cashiering and front desk area.) We recommend that management continue to monitor this situation to determine if a more efficient and safer location can be provided for the described administrative functions.

Fee Assessments and Policy

As part of our audit we examined various activities relating to the assessment and collection of fees. While we found that fees were generally charged for applicable activities, several issues were identified that are indicative of management's need to establish documented fee policies/procedures and to train staff on those policies and procedures. Other related issues were also noted. Those issues and our recommendations are addressed below.

ASC management should establish a comprehensive and documented fee policy and/or procedure that, among other things, identifies circumstances in which it is appropriate to waive or reduce fees. Also, authorization and reasons for each fee waiver/reduction not otherwise authorized by policy or procedure should be clearly documented.

The current ASC adoption policy provides that adoption fees may only be waived by ASC management. The current ASC policy for impoundment and boarding provides that related fees can be waived only by ASC management or the applicable animal control officer. That latter policy also provides that the reasons for the waiver and authorizing manager shall be documented in the Chameleon system. Notwithstanding those policy provisions, we noted that the ASC policies do not address the circumstances in which it may be appropriate to waive or reduce standard fees. Additionally, we noted instances of fee waivers and reductions where the authorization or reasons were not documented or otherwise determinable. Those instances are addressed in the following paragraphs.

A written policy or procedure should be established that specifies the circumstances in which fees may be waived or reduced; management authorization for individual waivers should be documented.

As part of our data mining activities, we identified adoptions for which either (1) no fees or (2) amounts other than the typical \$50 standard fee for a dog or cat adoption were charged. We judgmentally selected some of those items, in addition to selecting items in which the standard \$50 fee for a dog or cat adoption was charged. In all, we selected 62 items (adoptions) for testing. Our tests of those 62 adoptions showed 28 instances where adoption fees were waived or reduced without clear documented justification

and/or authorization. Those 28 instances and the related circumstances are addressed in the following:

- Nine adoptions where fees were waived or discounted but the circumstances and available documentation did not justify or explain the waivers/discounts. Documentation also was not available showing that ASC management had authorized those waivers or reductions.
- Two instances where animals rescued from the aftermath of Hurricane Katrina were brought to the ASC and adopted for no fee. While the circumstances may have warranted waiver of those fees, there was no documented managerial policy or directive providing for such waivers. Documentation also was not available that showed management had waived the fees in those two instances. (However, in one of the two instances, ASC staff did document fee waivers for other Hurricane Katrina animals adopted by the same individual.)
- The ASC implemented a practice where adoption fees are waived for individuals that foster an animal, provide necessary medical treatment to the animal at their own expense, and subsequently choose to adopt the animal. However, there are no documented policies or procedures that provide for fee waivers in those circumstances. Our testing disclosed four instances in which fees had been waived in those circumstances. There was no documented managerial authorization for any of those four waivers.
- The ASC implemented a practice where senior citizens are given a 50% discount off the standard adoption fee. However, there are no documented policies or procedures providing for such discounts or defining the age for senior citizen status. (Staff asserted they use age 55 years as the threshold.) Our testing disclosed four instances where fees were discounted in those instances. There was no documented managerial authorization for any of those four fee reductions.

During our testing, we identified 28 instances where adoption fee waivers or reductions were not clearly justified and/or authorized.

- The ASC implemented a practice of discounting the standard adoption fee of \$50 for a dog or cat to \$15 if the animal has been available for adoption for at least 60 days. However, there are no documented policies or procedures that provide for fee waivers in those circumstances. Our testing disclosed three instances in which fees had been waived in those circumstances. There was no documented managerial authorization for those three waivers.
- The ASC implemented a practice where a discounted fee of \$15 may be charged for a second animal (dog or cat) when a person adopts two animals at the same time and pays the standard \$50 fee for the first animal. However, there are no documented policies or procedures that provide for fee waivers in those circumstances. Our testing disclosed six instances in which fees had been waived in those circumstances. There was no documented managerial authorization for any of those six waivers. (In addition, contrary to this practice, we noted one instance where a person adopted two animals at the same time but paid the standard \$50 fee for both animals. Accordingly, it appeared this practice was not always followed.)

Similarly, in our test of 37 judgmentally selected instances (comprised of randomly selected items, judgmentally selected items where no fees were assessed, etc.) where owners claimed their impounded animals, we noted the following 10 instances where impoundment/boarding fees were waived or reduced without clear documented justification and/or authorization:

- Three instances where no fees were charged but there was no documentation showing authorization for waiver of the fees or the reasons justifying/explaining why the fees were not charged.
- Two instances where owners or their representatives claimed their animals after the animals had been impounded because the owners had been in vehicle accidents or hospitalized. No impound or boarding fees were charged. While those

circumstances were documented in the Chameleon system and may have merited waiver of the fees, there was no documented policy or procedure providing for such waivers. There was also no documentation showing that ASC management or animal control officers had waived the fees in those instances.

During our testing, we identified ten instances where impoundment and/or boarding fee waivers or reductions were not clearly justified and/or authorized.

- ASC adopted a practice where owners claiming a litter of impounded puppies or kittens were charged a fee for a single animal instead of a fee for each puppy or kitten. Our testing disclosed three instances in which fees had been waived in those circumstances. While those circumstances were documented in the Chameleon system, there was no documented policy or procedure providing for such waivers. There was also no documentation showing that ASC management or animal control officers had waived the fees in those three instances.
- Two instances where owners or their representatives claimed their animals after the animals had been impounded because the owners had been incarcerated or died. No impound or boarding fees were charged. Those circumstances were documented in the Chameleon system as well as ASC management's waiver of those fees. While the waivers may have been appropriate and were authorized, it may be prudent and beneficial for staff to establish a written policy or procedure providing for waivers in those circumstances.

To help ensure proper and consistent fee assessments, ASC management should establish a comprehensive fee policy and/or procedure that addresses waiving or reducing fees for services, and merchandise if applicable. That policy and/or procedure should address, among other things, the circumstances where waivers or reductions are appropriate and the process for authorizing and documenting waivers/reductions. Staff should be trained on that policy and/or procedure. Authorization and reasons for each "non-standard" fee waiver (i.e., instances where waivers or reductions are

not specifically authorized by written policy and/or procedure) should be documented.

Impound fees were not always consistently and correctly applied. ASC management should develop and implement written policies and/or procedures for the proper assessment of those fees; staff should be trained on those policies and/or procedures.

Impound fees were not always consistently and correctly applied.

As described in the background section of this report, impound fees vary based on several factors and circumstances. For example, owners are charged a City impound fee if the animal is picked up inside the City limits and charged a County impound fee if the animal is picked up outside the City limits. In addition, for animals picked up inside the City limits, the fees charged an owner increase for multiple offenses. Specifically, the first offense is \$15, the second offense is \$50, and the third offense is \$75. As described in the following, we noted that impound fees were not always properly and consistently applied.

- Some ASC staff had different understandings as to when impound fees should be charged. Some staff responsible for assessing and collecting fees generally did not charge owners an impound fee when the applicable animals had been brought to the ASC by means other than animal control officer (e.g., animal picked up as a stray by a concerned individual and brought to the ASC). Conversely, other staff generally charged owners an impound fee in those circumstances. This differing understanding by staff was confirmed by our analysis, for the period October 2005 through May 2006, of 179 animals received at the ASC by means other than an animal control officer. Specifically, we found that impound fees were charged in 75 of those 179 instances (42%). Our further analysis of the ASC employees assessing/not assessing fees and processing animals in those 179 instances showed the following:

- o One ASC employee did not charge impound fees in 50 of the 54 instances that the employee processed return of the animals to the owner.

ASC staff had different understandings as to whether impound fees should be charged when the applicable animals had been brought to the ASC by someone other than an animal control officer.

- o Another ASC employee charged impound fees in 29 of the 33 instances that the employee processed return of animals to the owner.

ASC management was aware of this issue prior to the start of our audit fieldwork and indicated that plans were being made to make sure that fees are applied consistently and correctly.

- ASC staff have not always properly applied impound fees for owners with multiple offenses; in addition, there is no policy or procedure specifying fees for fourth and subsequent offenses. Our analysis of 83 animal owners with multiple offenses (with at least one of those offenses occurring after January 1, 2005) relating to animals picked up inside the City limits (and thus subject to the graduated City impound fee), showed that the related impound fees were not always correctly or consistently assessed. Specifically, we noted the following for 44 of the 83 owners (53%):

City impound fees were not always properly charged for owners with multiple offenses; there was no policy addressing fourth or subsequent offenses.

- o For 32 owners, ASC staff charged a lesser fee than what should have been charged based on the number of previous offenses incurred by the owner.
- o For 10 owners, ASC staff charged a greater fee than what should have been charged based on the number of previous offenses incurred by the owner.
- o For two owners, ASC staff incorrectly charged fees based on the number of animals impounded instead of the number of offenses; as a result, those owners were overcharged for impound fees (i.e., these owners had several animals involved in a single offense but were incorrectly charged as if each animal involved in the incident represented a separate offense).

Our testing of those 83 instances also disclosed five owners that had more than three offenses. Each had either four or five offenses. Although the ASC fee schedule does not address

fourth or subsequent offenses, we noted that ASC staff generally charged the fee established for a third offense (\$75) in those circumstances. Without an established policy, procedure, or fee schedule addressing fourth and subsequent offenses, it was not apparent that \$75 was the correct or authorized fee in those instances.

Furthermore, we noted that there is no clear definition of what constitutes an “offense” for reasons of identifying prior offenses for impound fee determination purposes. Clarification should be made as to whether an instance where an animal was impounded and subsequently claimed by the owner with no fee assessed is or is not an offense. (NOTE: For purposes of our analysis, we did not consider an instance where an animal was impounded and the fee waived as an “offense.”)

- Inconsistencies and errors were noted in staff determinations as to whether a “City” or “County” impound fee should be charged. The County impound fee is a standard \$30 per offense. As previously noted, the City impound fee varies from \$15 to \$75 based on the number of prior offenses. As explained in the following, our review and analysis disclosed inconsistent and incorrect “City versus County” fee determinations.

Other inconsistencies and errors were noted in regard to the charging of impound fees.

- o For animals impounded by animal control officers, some ASC staff based the fee determination (City versus County) on whether the impounding officer was a City animal control officer or a County animal control officer. If it was a City officer, that staff charged a City impound fee; and if it was a County officer, that staff charged a County fee. Based on our discussions with ASC management that process was not appropriate, as the fee should be based on the jurisdiction of the location where the animal was found. Because City officers sometimes pick up animals in unincorporated Leon County and County officers sometimes pick up animals inside the City limits, this circumstance has occasionally resulted in

incorrect fees being applied. We identified four such incorrect impound fee determinations in our judgmental testing.

- o For animals claimed by owners, there is no clear policy or procedure specifying whether a City or a County impound fee should be charged when the location where the animal was found/picked up is unknown. This would involve animals brought to the ASC by someone other than an animal control officer and no location information is provided, such as animals anonymously placed in the ASC Holding Pen. Our analysis of those circumstances showed that ASC staff generally based the fee on the specific jurisdiction recorded for the animals. However, as noted on page 38 of this report, there generally was no justification for the recorded jurisdictions in those cases. Accordingly, documentation was not available to substantiate that ASC staff charged the appropriate impound fees in those circumstances. For the period October 2005 through May 2006, our analysis disclosed 25 animals to which those circumstances were applicable.
- o For animals picked up in outlying counties and brought to the ASC by concerned individuals and subsequently claimed by the animals' owners, there is no clear policy or procedure establishing what impound fee should be charged. Our review of the one identified circumstance where an animal was picked up in an outlying county and subsequently claimed by the owner, who resided in an outlying county, showed that ASC staff charged an amount equivalent to the City impound fee for a first offense (\$15). Without a formal policy or procedure on this matter, it is not apparent that fee was appropriate.

- o In our judgmental testing we identified two instances where ASC staff incorrectly charged a City impound fee when a County impound fee was appropriate based on the recorded circumstances. In both cases the animals had been picked up in unincorporated Leon County and brought to the ASC, one by a County animal control officer and the other by a concerned citizen.

To provide for correct and consistent assessments of impound fees, ASC management should establish documented policies and/or procedures for determining and assessing impound fees. Those policies and procedures should, among other things:

- Identify and clarify all circumstances and situations in which it is appropriate or not appropriate to charge impound fees (i.e., including if such fees are appropriate when the animals being claimed were brought in by someone other than an animal control officer).
- Clarify what constitutes an offense, including a previous offense, for purposes of determining fees, including the determination of graduated fees for multiple offenses within the City limits.
- In regard to graduated fees for multiple offenses within the City limits, specify the fees for fourth and subsequent offenses.
- Clarify that the determination of whether to charge a City or a County fee should be based on the jurisdiction of the location where the animal was found and not other factors.
- Clarify what fee should be charged when the location where the animal was found is unknown or in an outlying county.

Clear and documented policies and/or procedures should be established for determining and charging impound fees; staff should be trained on those policies and/or procedures.

ASC staff should be trained on those policies and/or procedures. Management should emphasize the importance of correct fee determinations to staff responsible for assessing those fees.

Management should establish and publish a comprehensive and official fee schedule.

The ASC should establish and publish a comprehensive and official fee schedule. The ASC does not have an official published fee schedule made available to the public and ASC staff that includes and addresses (1) standard fees for all services and merchandise including adoptions, impoundment, boarding, placement of microchips, collars, leashes, pet carriers, etc.; (2) fee discounts and reductions to be applied in designated circumstances; (3) recovery for veterinarian services; and (4) required deposits (e.g., for traps). The only published document addressing fees that was made readily available to ASC staff and the general public was a flyer posted in the ASC lobby and hallway that listed the standard \$50 adoption fee for dogs and cats, City and County impound fee amounts, and boarding fee amounts. No fees were published in regards to adoptions of animals other than dogs and cats, embedding microchips, merchandise, etc. Also, those flyers did not address fee waiver or reductions. While ASC staff appeared generally knowledgeable of fees and other required charges, establishing and publishing a comprehensive and official fee schedule should help ensure that correct fees are properly and consistently applied and help preclude future incorrect and inconsistent adoption and impound fee assessments similar to those instances identified within this report. We recommend that a comprehensive fee schedule be established and made available to ASC staff and the general public.

Upon completion of the ASC surgical ward, ASC management should complete its ongoing evaluation of the current fee structure and propose appropriate fee revisions. The ASC has recently undergone a study by an outside consultant (Maximus) on its fee structure. The study provided proposals for increasing current fees to generate revenues that will cover a greater portion of ASC costs. ASC management is currently evaluating those proposals. Based on our observations and discussions with ASC management, increasing current fees may be an appropriate action given that:

After completion of the planned surgical ward and related activity, management should propose appropriate changes to the current ASC fee structure.

- ASC recently hired an in-house veterinarian and intends to construct a surgical ward in the near future. ASC plans to start performing services in-house (e.g., sterilizations, examinations, treatments, vaccinations) that have traditionally been performed by private veterinarians/clinics at the expense of the ASC or the individuals adopting animals.
- ASC staff indicates that the current fee structure has been in place for more than a decade.
- The consultant's report shows that current fees are comparable to other animal shelters; however, many of those other shelters also collect revenues through animal licensing, which the City does not employ.
- The consultant's study showed that the current fees recover only 16% to 17% of ASC operational costs (i.e., annual fees of approximately \$200,000 compared to annual operational costs of approximately \$1.2 million).

Upon completion of the ASC surgical ward and other related changes, we recommend that ASC management complete its on-going evaluation and propose an appropriate revised fee structure for the ASC.

Recently implemented out-of-county animal drop off (intake) charges should be accounted for as fees and not donations.

In the spring of 2006, ASC management established a \$50 charge to individuals voluntarily turning an out-of-county animal over to the ASC for adoption or other disposition. The purpose of that charge is to recover a portion of the costs for processing those animals, as outlying counties, including counties in South Georgia, do not contribute to the funding of the ASC. We noted that \$50 charge has been recorded as a "donation" in the Chameleon system and City accounting records. However, the characteristics of that charge indicate that it should be classified and recorded as a "fee," as it represents a charge for a service and not a voluntary contribution.

Recently implemented out-of-county animal drop off charges should be accounted for as fees and not donations.

As of May 31, 2006, ASC records show that \$1,125 has been collected from application of that charge.

Donations are deposited into a special trust fund that is used to fund City Commission-approved ASC projects. On the other hand, fees are deposited into the City's general fund and are therefore subject to general fund budget allocations. Accordingly, recording the out-of-county charges as donations instead of fees directly impacts the future use of those collections. We recommend that the ASC record that charge as a fee and deposit the proceeds in the City's general fund. Alternatively, if ASC management wants to deposit those charges in a special trust fund and use those funds for ASC designated projects, appropriate approval should be requested and obtained through the City's budget and appropriation process.

ASC management should proceed with its plans to analyze the cost benefits of closing the ASC Holding Pen while continuing to charge the \$50 fee for out-of-county animal drop offs.

As noted in the previous issue, ASC management recently established a \$50 charge to individuals voluntarily turning an out-of-county animal over to the ASC for adoption or other disposition. Management believes that some individuals refusing to pay that fee are avoiding the charge by anonymously placing their unwanted out-of-county animals in the ASC Holding Pen. To preclude individuals from avoiding the fee in that manner, management is considering closing the ASC Holding Pen. However, management is concerned that those actions may result in an increase in the number of stray animals due to those individuals randomly dropping off unwanted out-of-county animals in unprotected areas (e.g., on the side of the road). Accordingly, management is considering a pilot project to close the ASC Holding Pen, continue charging the \$50 out-of-county fee, and analyze the impact of those two actions on stray animal activity.

Management should proceed with its planned pilot project to close the ASC Holding Pen while continuing to charge the \$50 out-of-county animal drop off fee.

Possible conclusions that could be reached from such a pilot project include, but are not limited to:

- There is no determinable or significant impact on stray animal activity, so the project could be implemented on a permanent basis, thereby increasing revenues for the ASC. (NOTE: Based on available historical information and current circumstances, it appears that anywhere from 200 to 800 out-of-county animals could be expected to be received annually; associated revenues would be \$10,000 to \$40,000.)
- There is a significant increase in stray animal activity and the consequences do not justify closing the Holding Pen and/or charging the \$50 fee. Such consequences could consist of increased public nuisances due to more strays and concerns for the welfare of animals that otherwise would have been taken in and processed by the ASC.

We recommend that as ASC management proceeds with this pilot project, they analyze the costs benefits of the actions taken, and then make a managerial decision as to the most appropriate actions to implement on a permanent basis.

County Participation

As previously noted in the background section of this report, Leon County participates in the costs of ASC services pursuant to a contractual agreement with the City covering the period January 2003 through September 2008. The amounts due from the County are determined by the DMA Budget and Policy section, billed by the DMA Accounting Services section, and collected by the Treasurer-Clerk's Revenue division. The contract provides that the amounts due are to be billed quarterly based on budgeted expenses and revenues, with an annual adjustment to those billings upon a determination of actual expenses and revenues for the applicable year. For FY 2005, the County paid the City \$384,528 pursuant to this contract. Overall, our review showed that the City is properly billing and collecting funds from the County. However, issues were identified for which corrective actions are needed. Those issues and our recommendations are addressed below.

We identified errors in the annual adjustment for FY 2005; the net effect of those errors was the County was under-billed \$7,928. We reviewed the annual adjustment calculated by DMA Budget and Policy staff for FY 2005. That adjustment was applied in February 2006. Our review of that adjustment calculation disclosed the following errors:

- In determining actual costs that should be allocated between the City and County, DMA Budget and Policy staff excluded costs of \$88,583 incurred by the ASC for temporary wages. Those wages were for six temporary employees, including a maintenance employee, cashier supervisor, two animal service specialists, a service assistant, and an intern. Based on those employees' position descriptions and discussions with ASC management, it appears that their duties and functions served the ASC in general. As a result, their services benefited animals coming from unincorporated Leon County as well as animals coming from within the City limits. Accordingly, it appears appropriate that the County should have participated in those costs.

Errors identified in the annual determination of costs due from the County resulted in the City under-billing the County a net amount of \$7,928.

In response to our inquiry on this matter, DMA Budget and Policy staff alluded to the contractual provision that stipulates if the County does not agree to an increased service level as reflected in the proposed operating budget, then the County can elect not to participate in the costs resulting from that increased service delivery. However, we noted that the temporary wages incurred during FY 2005 were not budgeted and that no formal communication was made notifying the County of the City's intention to incur those costs. Additionally, it appears that those costs were incurred not to increase the level of services but to maintain an acceptable level of service to the community (both incorporated and unincorporated areas). The net effect was that the County was billed \$33,307 less than the amount they would have been

billed had those costs been properly included in total costs to be shared.

- In determining costs to be shared by the City and County, total expenditures are to be offset by collected fee revenues. We noted that when determining revenues to be deducted from total expenditures for FY 2005, that DMA Budget and Policy staff incorrectly used budgeted rather than actual amounts. The result of that error was the City over-billed the County \$13,459.
- For two calculations, DMA Budget and Policy staff incorrectly used FY 2004 statistics instead of FY 2005 statistics. Those statistics related to (1) the percentage of total animals coming from unincorporated Leon County and (2) the percentage of total ASC employees that provided services benefiting both the City and unincorporated Leon County. The net result of those two errors was the City over-billed the County \$11,783.
- A minor error in calculation logic resulted in the City over-billing the County an additional \$137.

Anticipated costs that are appropriate to be shared by the County should be properly budgeted and timely communicated to the County for their review and approval.

We recommend that ASC and DMA staff address these errors with County staff, and adjust a subsequent billing to recover the net under-billed amount of \$7,928. To help preclude similar errors in the future, we also recommend that DMA Budget and Policy staff implement a process to provide for an adequate review of the annual adjustment calculations. Furthermore, we recommend that all operational costs, including temporary wages, be budgeted when management can anticipate the need to incur such costs, and that in future similar circumstances, appropriate documented communications be made with the County as to the ASC intent and need to incur those costs with the expectation of County participation. (NOTE: On August 23, 2006, preliminary

discussions were held between applicable City staff [i.e., NCS, ACS, DMA, and City Auditor staff] and County staff on this issue.)

A proper interpretation should be made of contractual terms providing for the determination of the County's share of ASC operational costs. Animals brought to the ASC come from several sources, including:

- City – animals picked up or brought from locations within the City limits;
- County - animals picked up or brought from locations within unincorporated Leon County;
- Outlying Counties - animals picked up or brought from locations outside of Leon County (Gadsden, Liberty, Jefferson, Taylor, Madison counties; south Georgia; etc.); and
- Holding Pen – animals that are anonymously placed in the ASC Holding Pen with no information as to where the animal was found or where the animal is from.

City and County staff should make the proper interpretation of contractual terms addressing the determination of the County's share of ASC operational costs.

Jurisdictions recorded in the Chameleon system for animal intakes mirror the categories defined above.

The City-County contract provides that the County's proportionate share of costs shall be determined annually by applying the ratio of "county" animals to the "total" number of animals boarded at the ASC for the preceding fiscal year. Under a strict interpretation of that provision, "county" animals would include only those as defined above and "total" animals would include animals in all four categories defined above. Under that strict interpretation, costs attributable to animals from outlying counties and anonymously placed in the ASC Holding Pen would be paid entirely by the City.

Contrary to that strict interpretation, DMA Budget and Policy staff have interpreted that the contract intends for the County to share proportionately in the costs of the animals received from outlying counties and anonymously placed in the ASC Holding Pen. The DMA interpretation is based on the premise that the overall tenet of the City-County contract was that all operational costs would be proportionately shared. In addition, ASC staff indicated that an undeterminable portion of animals placed anonymously in the ASC Holding Pen is from unincorporated Leon County. Accordingly, it would be fair for the County to participate in the costs of processing those animals.

Our review showed that the DMA billed and the County paid amounts for FY 2005 based on that reasonable but less strict interpretation. Had the County been billed on the strict interpretation (i.e., City is to bear all the costs of the animals from outlying counties and anonymously placed in the Holding Pen), the City billing and resulting County payments would have been less by \$44,758 (i.e., \$341,229 instead of \$385,987).

On August 23, 2006, City staff (i.e., NCS, ACS, DMA, and City Auditor staff) met with County staff on this issue. A determination was not made as to which interpretation was correct in that initial meeting. We recommend that NCS, ASC, and DMA staff continue to work with the County to reach an agreement as to an appropriate and equitable interpretation of the noted contractual provision. Actions should be taken accordingly.

Jurisdictions (City, County, other) were not always accurately and correctly determined and recorded in the Chameleon system for animals received at the ASC. As recorded jurisdictions form the basis for allocating ASC operational costs between the City and County, such errors may result in inappropriate allocations. Based on discussions with ASC management, the jurisdiction of the location where an animal is found or picked up by an animal control officer or other individual

should be the jurisdiction recorded in the Chameleon system for that animal. Pursuant to the City-County contractual agreement, ASC costs are allocated between the City and County based on those recorded jurisdictions. Specifically, the proportion of animals with recorded County (i.e., unincorporated Leon County) jurisdictions to total animals received at the ASC represents the percentage used to determine the County's share of allocable expenses. Accordingly, incorrect determinations and recordings of jurisdictions may result in costs being shared in a manner other than what was intended by the City-County contractual agreement.

Our testing of a random sample of 60 recorded animal jurisdictions for animals received at the ASC during FY 2005 and the first eight months of FY 2006 showed the following ten errors:

ASC staff sometimes made errors in the determination and recording of animal jurisdiction; such errors adversely impact the accurate allocation of costs between the City and County.

- Incorrect jurisdictions were recorded in eight instances. For those eight instances:
 - Two jurisdictions were recorded as “County” when they should have been “City.”
 - Three jurisdictions were recorded as “City” when they should have been “County.”
 - In three instances the jurisdictions were recorded as “City” when the jurisdiction was unknown, as the animal had anonymously been placed in the ASC Holding Pen without any information as to where the animal was from or found. In those instances, the jurisdiction should have been “Holding Pen” – a neutral designation used when the jurisdiction is unknown.
- In two instances, information needed to determine the correct jurisdiction was not recorded and/or was deleted. The deletions likely occurred when ASC staff improperly

overwrote original data in the Chameleon system. Accordingly, a determination could not be made as to the correctness of the recorded jurisdictions.

Furthermore, our review and analysis of data recorded for all 6,136 animal intakes for the first eight months of FY 2006 showed the following:

- 107 instances where the recorded jurisdiction was “City” when the system indicated that the jurisdiction should have been the neutral “Holding Pen” designation because the animals had anonymously been placed in the ASC Holding Pen without any information as to where the animal was from or found (also noted in our random sample test results described above).
- 43 instances where sufficient information was not recorded, or was deleted/overwritten, as to the source or location where the animal was found or picked up. Accordingly, records did not substantiate the recorded jurisdictions (34 “City” and 9 “County”). (This was also noted in our random sample test results described above.)
- 15 instances where the recorded jurisdictions of “City” or “County” were incorrect as the animals had been picked up or found in outlying counties.
- 6 instances where the jurisdiction was incorrectly recorded as “Holding Pen” (neutral designation) when information was available identifying the location/area, and thus the jurisdiction, where the animals were found or picked up.
- 10 instances where the incorrect outlying county was recorded as the jurisdiction (e.g., animal picked up in Liberty County by an individual but ASC staff incorrectly recorded the jurisdiction as Calhoun County.)

To help ensure a fair and appropriate allocation of expenses between the City and the County, and to ensure that accurate performance data is available for management oversight purposes, we recommend that ASC management establish documented policies and/or procedures for determining and recording the correct jurisdiction for animal intakes. Staff should be trained on those policies and/or procedures.

Adoption Refunds

As noted in the background section of this report, individuals may request and receive refunds of their adoption fees under certain circumstances. In accordance with good internal control practices, the ASC does not refund adoption fees from daily receipts. Instead, individuals that paid their fees by cash or check are refunded by City check based on a standard check request form prepared by designated ASC staff and approved by ASC management. Individuals that paid by credit card are refunded by ASC staff processing a credit charge to the individual's credit card. For proper accountability, adoption refunds are entered into the Chameleon system. Our review of adoption refunds disclosed the following issues for which corrective actions are recommended.

Adoption refunds processed through credit charges (reversals) to individuals' credit cards were not reviewed and approved by the appropriate level of ASC management. All adoption refunds prepared by ASC animal services specialists working as cashiers were reviewed by the employee processing and preparing collected fees for deposit (i.e., the administrative specialist). In addition, all adoption refunds were, in essence, "approved" by a kennel supervisor that oversees the cashiers, as that kennel supervisor was responsible for recording the refund in the Chameleon system.

However, in most circumstances, only those adoption refunds made by City check were reviewed and approved by the ASC manager or assistant manager. ASC management did not generally review and approve adoption refunds processed by credits to the adopters' credit cards. Specifically, in eight of nine instances tested where the refund was made by a credit charge applied to the adopter's credit card, there was no evidence that the ASC manager or assistant manager reviewed and approved the refund.

All adoption refunds should be reviewed and approved by the ASC manager or assistant manager.

The lack of approval by the ASC manager or assistant manager was contrary to current ASC written policy, which provides that the ASC manager must authorize each adoption refund regardless of refund method. Notwithstanding that the administrative specialist and a kennel supervisor also review and approve each refund, the required review and approval by the ASC manager or assistant manager is appropriate given the following:

- The review by the administrative specialist is intended to ensure the proper process was followed and forms completed. As that employee is not responsible for and generally not knowledgeable of specific animal activity, that review is not intended to ensure that the refund is for a valid return of an animal.
- The kennel supervisor approving the refunds also has routine access to daily collections. Without an independent supervisory review by the ASC manager or assistant manager, those duties and access capabilities would allow the kennel supervisor to divert funds without timely detection through creation of fraudulent refund transactions.

To ensure that all adoption refunds are for valid and legitimate purposes, we recommend that the ASC manager or assistant manager review and approve all refunds, regardless of the refund method used. Such managerial review and approvals should be documented.

Two adoption refunds were made but not recorded in the Chameleon system. During our testing we became aware of two instances where adoption refunds, otherwise properly processed, were not recorded in the Chameleon system. As a result, the Chameleon system overstated adoption fees in the amount of those two refunds (each refund was \$50). Both refunds were made by City check through the City check request process, and both refunds were reviewed and approved by the administrative specialist and by the ASC manager. However, those reviews and approvals were made without evidence that the refund had been properly recorded in the Chameleon system by the kennel supervisor.

Actions should be taken to ensure that adoption refunds are recorded in the Chameleon system.

Our review and comparison of adoption fees recorded in the Chameleon system to adoption fees recorded in the City's PeopleSoft Financials system (City's official accounting records) indicate that this occurrence may not have been isolated to the two noted instances. Specifically, for the first eight months of FY 2006, we noted that adoption fees recorded in PeopleSoft Financials system (\$72,758) were \$2,240 more than adoption fees recorded in the Chameleon system (\$70,518). The difference is likely attributable, at least in part, to refunds of adoption fees reflected in PeopleSoft Financials but not in the Chameleon system.

To ensure proper accountability in the Chameleon system, we recommend that the final approval of refunds by the ASC manager or assistant manager incorporate ensuring that each refund has been properly recorded in the Chameleon system. (NOTE: In the event that the ASC manager or assistant manager does not approve a refund, the refund transaction already recorded in the Chameleon system should be reversed.)

Efforts should be made to ensure that adoption refunds are processed in a timely manner.

Adoption refunds were not always processed in a timely manner. Our examination of ten adoption refunds made through the City's check request process showed that the City checks were not timely requested by ASC in seven instances. In those seven instances, ASC staff requested the checks for periods ranging from 30 to 56 days after the adopter had requested the refunds. Similarly, out of nine sampled adoption refunds processed through a credit charge to the adopter's credit card, we noted one instance where the credit charge was not processed until 41 days after the adopter had requested the refund. In response to our inquiry, ASC staff indicated that the delays were likely attributable to staffing issues (i.e., staff was likely busy performing other priorities that resulted in delays in the processing the adoption refunds).

To ensure that individuals are refunded in a timely manner, we recommend that ASC management emphasize to staff the importance of timely processing adoption refunds. A timeliness standard should be established as part of applicable written policies and procedures. Management should monitor compliance with that standard.

Chameleon System Controls and Activity

As noted in the background section of this report, the ASC uses the Chameleon system to account for animal and fee activity. Accordingly, access to the system's various functions should be controlled and properly restricted. In addition, controls should be in place to maintain the integrity of the recorded data. Overall, we found that permissions were properly and adequately restricted and that recorded data was proper and substantiated by records and ASC practices and procedures. However, some issues were identified. Those issues and our recommendations are addressed below.

Some system permissions were not assigned in accordance with good internal control practices. At the time of our audit fieldwork, Chameleon system permissions were assigned to 50

individuals. Our analysis of those assigned permissions showed that most were appropriate based on the employees' job duties and sound internal control practices. However, instances were noted where permissions should be removed or compensating checks and balances placed into operation. Those instances included the following:

Contrary to good internal control practices, a cashier was assigned a system permission allowing reversal of recorded receipts.

- Contrary to good internal control practices, a cashier was assigned a permission allowing the reversal of recorded receipts. Animal services specialists working as cashiers must record fees and other receipts in the Chameleon system. Accordingly, they are assigned system permissions allowing them to use the Chameleon system for that purpose. We noted that one of those cashiers was also assigned a permission allowing the reversal of recorded receipts. As a result, that employee was in the position to collect and record a receipt, subsequently reverse the transaction, and divert the related funds without likely detection (i.e., as after the reversal was done the system-reported collections would still balance with the remaining collections and the customer would have been provided a system receipt at the time of initial collection.) As the receipt reversal permission is properly assigned to designated supervisory staff responsible for reversing transactions for the purpose of correcting errors or authorizing refunds, that permission should be removed for the noted cashier. In response to our inquiry on this matter, ASC removed this permission from that cashier.

Contrary to good internal control practices, a kennel supervisor was assigned a system permission allowing the deletion of recorded data.

- A data deletion permission assigned to a kennel supervisor should be removed. We noted that one of the two kennel supervisors was assigned a data deletion permission thereby allowing that employee to delete recorded data. That kennel supervisor's responsibilities do not necessitate deletion of recorded data. Accordingly, to ensure data integrity and accountability, we recommend this permission be removed for that employee.

Compensating controls were not placed into operation for two kennel supervisors assigned system permissions allowing them to perform otherwise incompatible duties.

- The two kennel supervisors were assigned system permissions allowing them to perform incompatible duties without any compensating checks and balances. The two kennel supervisors are responsible for ensuring that cashiers properly and timely process their daily collections. Their responsibilities include verifying that each cashier has balanced his/her daily collections to the system-reported revenues and assigned imprest fund, and taking and securing the daily collections in a locked safe (i.e., closeout function). We noted that both kennel supervisors had Chameleon system permissions allowing them to reverse receipt transactions recorded in the system by the cashiers. Those permissions were assigned to allow for the correction of errors and record authorized refunds. Individuals with those capabilities are in the position to divert collections received as part of the daily closeout function and record fraudulent reversing entries in the Chameleon system to cover up the diversion. Discussions with ASC management disclosed that it is not cost beneficial from an operational or resource perspective to assign the receipt reversal permissions to different employees. Accordingly, to compensate for the identified risk, we recommend that periodic reports of reversal entries be generated and reviewed by management (i.e., managerial employees that are organizationally at higher levels than the kennel supervisors) for reasonableness and propriety.

System administrator privileges currently assigned to a kennel supervisor should be removed and assigned to an employee not having routine access to daily collections.

- System administrator privileges that were temporarily assigned to one of the two kennel supervisors during a managerial transition should be transferred to an ASC employee not having regular access to and responsibilities for daily collections. System administrator capabilities allow a person to establish, change, or delete individual system permissions. Accordingly, individuals with normal or routine access to or responsibility for daily collections should not be assigned that capability. We noted that a kennel supervisor was assigned that function during a managerial transition (i.e., the manager to whom that capability was assigned terminated

his employment). That assignment was intended to be temporary and was made for the purpose of ensuring continuity of operations. The applicable kennel supervisor had access to and responsibilities for processing daily collections.

While the temporary assignment of that capability to the kennel supervisor may have been justifiable in those circumstances, we noted that capability was not removed once the managerial transition was completed. We recommend that this system administrator capability be removed from the kennel supervisor and transferred to a knowledgeable system employee that does not routinely have access to daily collections.

(NOTE: Subsequent to the end of our audit fieldwork, the appropriate employee [i.e., a knowledgeable system employee that did not have routine access or responsibilities relating to daily collections] to whom this capability was also assigned transferred to a different City department. Accordingly, management may determine it necessary to allow the kennel supervisor to temporarily retain the system administrator capabilities until another knowledgeable system employee is hired. Notwithstanding those new circumstances, timely efforts should be made to complete the transition in order to allow the removal and reassignment of the system administrator privileges as recommended above.)

- System permissions for individuals that terminated employment or volunteer service at the ASC should be timely removed. To ensure data integrity and to reduce the risk of inappropriate uses of the Chameleon system, permissions should be immediately removed for individuals when they terminate their employment or voluntary service at the ASC. During our analysis of assigned system permissions, we determined that permissions for seven former employees, two former volunteers, and one employee that transferred to another City division had not been removed at the time of our

System permissions assigned to individuals should be timely removed upon their termination of employment or volunteer service.

audit fieldwork. In response to our inquiry on this matter, ASC removed those permissions. In addition to that corrective action, we recommend that management establish as part of documented policies and/or procedures a requirement that system permissions be timely removed for individuals that terminate employment or service at the ASC. Management should emphasize that requirement to staff responsible for removing those permissions.

Implementation of the recommendations made for each of the noted issues should enhance the security over Chameleon system data and related asserts.

Efforts should be continued to ensure that employees record receipt transactions using only their assigned system permissions. A basic premise of assigning individuals unique system permissions and instructing those individuals to secure use of those permissions with protected access codes (passwords) is to provide and ensure accountability for recorded data. For the same reason, an employee signed onto a software system and/or system network at a computer terminal with his/her password should not allow other individuals to record or enter transactions/activity using that terminal. Otherwise, management or others cannot determine accountability for recorded data.

Efforts should be continued to ensure that employees record receipt transactions using only their assigned system permissions.

In a prior audit of the ASC, we noted that system access passwords were commonly shared among the various ASC employees. In addition, we noted that employees often recorded transactions and activity in the Chameleon system using terminals that had been signed onto the Chameleon system by another employee. As a result, we reported that accountability for specific transactions and activity could not be determined. Corrective actions were recommended and subsequently implemented as a result of that prior audit finding.

During our current audit, we analyzed the 2,373 receipt transactions entered into the Chameleon system by employees working as cashiers during the 8-month period October 2005 through May 2006. That analysis showed that 93.26% of those receipts (2,213)

were properly entered by an employee using the employee's unique password and assigned system permission. However, the remaining 160 receipts (or 6.74% of all receipts analyzed) were processed by ASC employees using a system permission assigned to another employee. Based on our observations during our audit fieldwork, those 160 incidents are likely attributable to employees recording transactions using terminals signed onto the Chameleon System by other employees who were temporarily away from their assigned workstations at the front desk.

While our current audit analysis shows that accountability was maintained for the majority of recorded activity, management should continue to emphasize to staff that activity should not be recorded using system permissions of other employees. Cashiers should be reminded to either sign out of the Chameleon system and/or lock their terminals when they are away from their assigned workstations. We also recommend that management continue to monitor these circumstances through the development, generation, and review of Chameleon system reports that reflect instances where cashiers enter activity under other employee permissions.

Recorded animal intake and disposition data was sometimes inappropriately deleted in the Chameleon system.

The Chameleon system includes an "update" function that is used by various ASC staff to record new and updated data (intakes, dispositions, etc.) relative to animals received at the ASC. Used correctly, that function results in the recording of updated data for an existing animal without the deletion of the existing data. However, used incorrectly, that update function allows existing data to be overwritten with the new or updated data. During our various analyses, we became aware of instances where recorded animal data had been deleted due to the incorrect use of the update function. For example, in our testing we identified, with the assistance of ASC staff, four instances where animals were received, fostered, returned, and then adopted; but, the initial intake and fostering of the animals were overwritten by the subsequent return and adoption of the animals.

Management should enhance efforts to stop the improper overwriting of recorded data in the Chameleon system.

Deletion of historical data for animals limits the reliability that the system can be used to measure performance and to ensure that fees are properly assessed and collected for applicable services. We recommend that management emphasize the importance of correctly using the update function in recording data. Additionally, management should ensure that applicable staff is properly and adequately trained on the proper use of that function.

Record Retention

Various records are generated at the ASC. Examples include:

- Adoption applications, contracts, and refund requests and related check requests.
- Foster applications and agreements.
- Owner and stray surrender forms.
- Euthanization logs.
- Sterilization records, including forms completed by external veterinarians certifying the required sterilizations were performed.
- Daily cash collection reports and related cashier records, credit card batch reports, deposit slips, courier manifests, etc.

For the most part, these records were properly retained and logically filed, usually by animal identification number or by date. Older records were maintained in an external warehouse located at the ASC. Sampled and requested records were generally available for our audit. However, issues were identified as addressed below.

The ASC did not retain foster agreements and forms received from external veterinarians certifying that required animal sterilizations were performed.

Individuals must complete and sign a foster agreement for each animal that they take possession of in a fostering arrangement. Those completed agreements are retained by ASC during the period the animals are in the possession of the fosterer. However, those agreements are discarded upon return of the animals to the ASC.

All applicable forms substantiating key information recorded in the Chameleon system should be retained.

In addition, adopters sometimes take possession of a dog or cat before the statutorily required sterilization is performed (i.e., animals are not physically mature or are not in adequate health to undergo sterilization). In such instances, ASC requires that evidence be provided once the adopter has the sterilization performed. That evidence generally consists of forms completed by a veterinarian certifying that the sterilization was done. Upon receipt of those forms, ASC staff updates the animals' status in the Chameleon system to reflect completion of the sterilization. We found that once the Chameleon system has been updated to reflect the sterilization, the forms are discarded.

Neither of those two activities results in the generation of fees or revenues to the ASC. We also acknowledge that data and activity relating to those foster agreements and sterilization certifications are recorded and retained within the Chameleon system. Notwithstanding those circumstances, the foster agreements and sterilization certifications are source records, signed by the fosterer/veterinarian, that substantiate the accuracy and validity of recorded animal activity and disposition data. Accordingly, we recommend that ASC management retain those records in accordance with City record retention requirements. As noted in a following issue, consideration should be given to using the City's electronic imaging system (Electronic Data Management System, or EDMS) for efficient retention of those records.

Adoption refund records were not consistently and efficiently filed. Adoption refund records consist of the approved adoption refund request, approved check request, and related records printed from the Chameleon system. While records for each refund were assimilated and stapled together, those stapled records were haphazardly placed in a designated filing cabinet drawer or attached to the daily cash collection records, which were maintained by date in separate filing cabinets.

Adoption refund records should be efficiently and consistently filed.

To improve records efficiency, adoption refund records should be maintained in a single designated location and in some logical order (e.g., by animal identification number). Such efficiency will

facilitate retention and extraction when needed for managerial or operational purposes. As similarly addressed in the previous issue and also below, consideration should be given to using the City's electronic imaging system (Electronic Data Management System, or EDMS) for efficient retention of those records.

Consideration should be given to use of the City's electronic imaging system for storing ASC records.

ASC management should consider use of the City's electronic imaging system for efficient retention of records. As noted above, the ASC generates various records documenting numerous activities and transactions. Currently, most of those records are logically filed in designated cabinets or books, with older records logically filed and stored in an external warehouse located at the ASC facility. We noted that the volume of records generated requires significant storage space. As an alternative to using that space for record storage, ASC management should consider using the City's electronic imaging system (EDMS) for efficient retention of those records. That consideration should take into account the costs of electronic storage and the resulting benefits. Costs would include, for example, imaging equipment, training, and staff time necessary to image the records in EDMS. Benefits would include, for example, more space available for other ASC activities and more efficient retrieval of records.

Other Issues

During our audit we noted two additional issues. Those issues are addressed below.

Due to managerial and staff turnover, ASC staff was generally not aware of and familiar with written policies and procedures, some of which were established in response to issues identified in a prior audit. Numerous written policies and procedures were developed under the direction of a former ASC manager. Some of those policies and procedures were developed to address various control issues identified in a prior audit conducted by the Office of the City Auditor. Those policies and procedures addressed various aspects of cash management, adoptions, impoundment and boarding, fostering, euthanasia, transfers, refunds, sterilizations, and TREATS donations. Based on our discussions and

To help ensure proper and consistent conduct of ASC business, written policies and procedures should be updated and provided to staff.

observations, we determined that most of the current ASC staff was not aware of those written policies and procedures. Additionally, some of those policies and procedures (Business Safe Policy, Impoundment/Boarding Policy, and TREATS Donation Policy) were not located at the ASC during our fieldwork.

Written policies and procedures such as those noted are helpful in (1) training and ensuring staff know how to properly conduct ASC business and (2) ensuring consistency and continuity of operations during significant staff changes, as ASC has experienced in recent years. We recommend that ASC management obtain, review, and update existing written policies and procedures as appropriate (i.e., based on changes occurring since the initial establishment of the policies, planned changes such as the surgical ward and new fee structure, and issues identified in this audit). After the updating and revision process is completed, ASC management should ensure that staff is trained on and has ready access to those policies and procedures.

ASC management has made progress in ensuring that required animal sterilizations were performed. Section 823.15, Florida Statutes, provides that dogs and cats adopted from a shelter must be sterilized (i.e., spayed or neutered). In accordance with this requirement, ASC sometimes has the animals sterilized by external veterinarians prior to releasing the animals to the adopters. In those instances where the animal is released to an adopter prior to sterilization because the animal is physically immature or not in adequate health to undergo sterilization, ASC requires the adopter to provide appropriate evidence from a veterinarian that the sterilization was subsequently done.

Management has made progress in ensuring that required animal sterilizations were performed.

In our initial audit that addressed this requirement (City Auditor report #0514, issued January 4, 2005), we reported there were 3,441 adopted animals for which the ASC had no evidence that required sterilizations had been performed.

In response to that circumstance, ASC staff submitted standard letters to applicable veterinarians and adopters requesting evidence that the required sterilizations had been performed. Those letters

were sent during the period Fall 2004 through Summer 2005. Our current review of the Chameleon system shows that those efforts have been successful to a large degree, as we found that of 13,229 ASC animals adopted from 1998 through July 2006, the system shows 11,902 (90%) have been sterilized. As of the end of our current audit fieldwork, evidence of sterilization was still pending for the remaining 1,327 adopted animals.

ASC management intends to further address this issue in the near future, as plans are for the recently hired in-house veterinarian to start sterilizing most adopted animals in-house once the ASC surgical ward is completed. In addition to following through on plans for in-house sterilizations, ASC should continue to ensure that adopted animals not sterilized in-house, including the 1,327 animals noted above, are properly sterilized.

Conclusion

While we found fees were generally charged and controls generally adequate, various recommendations were made to enhance and strengthen the ASC internal control structure and to improve and enhance current practices.

Overall, we found that fees were charged for services and merchandise and that collections were timely processed and deposited. We also found that the County was timely billed and properly remitted funds to the City for a share of ASC operational costs. Furthermore, adequate controls were generally in place to ensure that collections were safeguarded, accounted for, and deposited. Nonetheless, we noted various issues that indicate the need for management to take measures to ensure fees are correctly and equitably assessed and to otherwise strengthen controls and current policies, procedures, and practices. Accordingly, recommendations were made within this report to:

- Improve processing and accountability of collections.
- Better secure collections.
- Establish a comprehensive fee policy and/or procedure addressing fee waivers and reductions; and better document authorizations and justifications for fee waivers and reductions.

- Properly and consistently charge animal impound fees.
- Establish and publish a comprehensive and official ASC fee schedule.
- Propose appropriate revisions to the current fee structure upon completion of planned changes in the manner that animals are processed and based on the results of a recent external fee study.
- Properly classify and record out-of-county drop off fees.
- Proceed with a planned pilot project that may result in additional revenues by closing the ASC Holding Pen while continuing to charge out-of-county animal drop off fees.
- Accurately and correctly bill the County for its proportionate share of ASC operational costs.
- Properly determine and record animal jurisdictions in the Chameleon system.
- Ensure that adoption refunds are authorized, properly recorded, and timely processed.
- Ensure that Chameleon system permissions are properly assigned, used, and otherwise controlled.
- Ensure that recorded animal data is not improperly deleted.
- Provide for the proper and efficient retention of ASC records.
- Update written policies and procedures, provide those policies and procedures to staff, and train staff on those updated policies and procedures.
- Continue efforts to ensure that required animal sterilizations are done.

We would like to acknowledge the full and complete cooperation and support of ASC, NCS, DMA (Budget and Policy and

Accounting Services), and Treasurer-Clerk (Revenue division) staffs during this audit.

***Response From
Appointed
Official***

City Manager:

The audit results reflect a thorough and cooperative effort that identified opportunities for improvement in an effective system of internal revenue controls. I thank the audit staff for their professional assistance in ensuring maximization of revenues and strengthening of our control system. We look forward to implementing the recommendations as indicated in our Action Plan detailed in the body of the report.

Appendix A – Action Plan

Action Steps	Responsible Employee	Target Date
A. Objective: To enhance the processing and safeguarding of collections.		
<i>Animal Service Center</i>		
1. Chameleon-system generated daily cashier reports will be modified to provide for the identification and reporting of any cash shortages or overages, or lack thereof. Cashiers will document any cash shortages or overages, or lack thereof, on those revised forms.	Jeanette Francis	10-16-06
2. Cash shortages or overages identified and reported on individual cashier records (see Step A.1. above) for each day will be accumulated (for that day) and the net amount reported on Daily Cash Reports sent to the Treasurer-Clerk’s Revenue division.	Jeanette Francis	10-16-06
3. Any net daily cash overage will be timely deposited into the City’s bank account with that day’s collections.	Jeanette Francis	10-16-06
4. Management will remind applicable staff that credit card batch total reports must be generated daily and the batch totals on those reports must be timely reconciled to credit card transactions recorded in the Chameleon system and to the credit card transactions reported on Daily Cash Reports sent to the Treasurer-Clerk’s Revenue division.	Jeanette Francis	10-16-06
5. The administrative specialist position will be provided capability to independently generate Chameleon system cash collection reports. Once that permission is granted, the administrative specialist position will generate and use those reports to ensure that cashiers and closing supervisors properly turn in collections for deposit and submit accurate and complete cashiering reports.	Jeanette Francis	10-31-06

Action Steps	Responsible Employee	Target Date
6. Management will emphasize to cashiers, closing supervisors, and the administrative specialist that daily cash collection records must be properly initialed as evidence that proper closeout procedures were followed and completed.	Dee Crumpler	10-16-06
7. Management will reinforce to ASC staff that “cash and check” TREATS donations are not to be accepted and processed with ASC collections and that individuals wanting to make such donations are to be informed of the secured TREATS lock box available in the ASC lobby.	Dee Crumpler	10-16-06
8. The TREATS donations collected but not remitted to TREATS as identified in the audit report (\$696) will be remitted to that non-profit entity. All future TREATS donations received and processed by ASC cashiers (e.g., future donations by credit card) will be timely remitted to that non-profit entity.	Jeanette Francis	10-16-06
9. The lock box made available for patrons to place their ASC donations will be attached to a permanent or non-movable structure.	Stephanie Sikorski	10-16-06
10. Access to the lock box made available for patrons to place their ASC donations will be restricted to authorized staff.	Donna Hansell	10-16-06
11. Management will provide for the periodic changing of the safe combination. In addition, the safe combination will be timely changed when employees with knowledge of that combination terminate their employment at the ASC.	Donna Hansell	10-16-06
12. Management will determine if a more secure location is available for use by the administrative specialist to process and prepare collections for deposit. If a more secure location is available, the administrative specialist will be moved to that location.	Dee Crumpler	10-16-06

B. Objective:	To ensure fees are properly assessed and collected.	
<i>Animal Service Center</i>		
1. A comprehensive fee policy will be established. Among other things, that policy will identify the circumstances in which standard fees are waived or reduced.	Donna Hansell	11-14-06
2. The ASC manager, assistant manager, or kennel supervisors will individually authorize fee waivers or reductions not otherwise authorized by the comprehensive fee policy, or other designated supervisory staff. The authorization and justification (reasons) for each of those waivers or reductions will be clearly documented in the Chameleon system.	Dee Crumpler	10-16-06
3. The comprehensive fee policy will provide the appropriate process for the determination and assessment of impound fees. In addition to other items, that policy will address: (1) charging owners impound fees when the impounded animals were brought to the ASC by means other than an animal control officer, (2) define “offense” for purposes of determining the number of prior offenses attributable to an individual, (3) in regard to City impound fees, specify the fees appropriate not only for the first three offenses but also for fourth and subsequent offenses, (4) clarify that the determination of whether to charge a “City” or a “County” fee should be based on the jurisdiction of the location or area where the animal was found and not other factors, and (5) clarify what fee should be charged (City, County, or other) when the locations where the animal was found is unknown or in an outlying county.	Donna Hansell	11-14-06

<p>4. An official and comprehensive fee schedule will be established. The fee schedule will include (1) all fees chargeable by the ASC for animal activity (e.g., adoptions, impoundment, boarding), (2) services (e.g., in-house veterinary services, recovery of external veterinary services, vaccinations) and (3) merchandise. In those instances where it is not practicable to list a specific fee (e.g., recovery of costs paid by the ASC for external veterinary services), the fee schedule will provide descriptive information on how that fee will be determined. The fee schedule will also address any required deposits (e.g., for ASC traps).</p>	<p>Donna Hansell</p>	<p>11-14-06</p>
<p>5. The comprehensive fee schedule will be published and made accessible to the public through posting in strategic locations at the ASC facility. Each ASC employee will have access to a copy of that fee schedule.</p>	<p>Donna Hansell</p>	<p>11-14-06</p>
<p>6. Upon completion of the ASC surgical ward and related actions (e.g., hiring of new technicians to assist the recently hired veterinarian), the current fee structure will be updated to reflect (1) current services and (2) management’s decisions derived from the recent external fee study.</p>	<p>Donna Hansell</p>	<p>01-15-07</p>
<p>7. The charge for out-of-county animal drop offs will be accounted for as a fee instead of a donation.</p>	<p>Ann English</p>	<p>10-16-06</p>
<p>8. ASC will implement the pilot project that involves closing the Holding Pen while continuing to charge the out-of-county drop off fee. After sufficient time has elapsed, stray animal activity will be analyzed to determine the impact of those actions. Based on the results of that analysis, management will take the most appropriate action.</p>	<p>Dee Crumpler/ Animal Advisory Board</p>	<p>1-01-07</p>
<p>C. Objective:</p>	<p>To ensure proper County participation.</p>	
<p style="text-align: center;"><i>Animal Service Center</i></p>		
<p>1. The County will be billed \$7,928 to recover the net FY 2005 under-billing attributable to the errors identified by the audit.</p>	<p>Jeanette Francis</p>	<p>10-16-06</p>

<p>2. All operational costs (e.g., temporary wages) that can be anticipated will be addressed in the budgetary process.</p>	<p>Dee Crumpler</p>	<p>10-16-06</p>
<p>3. All anticipated and/or budgeted operational costs subject to County participation, as well as any unanticipated and/or unbudgeted operational costs that are subsequently identified, will be timely communicated to and addressed with the County for the purpose of clarifying the City’s expectation and County’s intent as to County participation in those costs. Such communications and resulting decisions will be documented.</p>	<p>Dee Crumpler</p>	<p>10-16-06</p>
<p>4. ASC management, with the assistance of NCS and DMA staff, will work with the County to determine the proper interpretation of contractual terms providing for the determination of the County’s share of ASC operational costs. The County’s share will be determined in accordance with the agreed upon interpretation.</p>	<p>Dee Crumpler</p>	<p>10-16-06</p>
<p>5. A policy will be established and implemented that provides for the correct determination and recording of jurisdictions for animal intakes. That policy will provide that in cases where the location where the animal was found (i.e., “crossing location”) is known, the jurisdiction will be based on that location. The policy will also address what information should be recorded when the location where the animal was found is not known.</p>	<p>Jeff Doyle</p>	<p>10-16-06</p>
<p>6. The policy developed pursuant to the previous action step will also provide specific methods and appropriate sources that should be used by ASC staff in determining the jurisdictions when the crossing location is known.</p>	<p>Jeff Doyle</p>	<p>10-16-06</p>
<p><i>DMA</i></p>		
<p>7. A process for the review and approval of the annual adjustment calculation (true-up) will be implemented for the purpose of ensuing correct and accurate calculations and determinations.</p>	<p>Raoul Lavin</p>	<p>11-14-06</p>

D. Objective:	To provide timely and appropriate adoption refunds.	
<i>Animal Service Center</i>		
1. All adoption refunds will be reviewed and approved by the ASC manager or assistant manager, regardless of refund method. That review and approval will be documented.	Dee Crumpler	10-16-06
2. The review and approval process by the ASC manager or assistant manager (see previous action step) will include ensuring that the refund is properly recorded in the Chameleon system.	Dee Crumpler	10-31-06
3. A timeliness standard for processing adoption refunds will be established and documented in the appropriate ASC policy. Staff will be informed of that standard and the expectation to ensure that adoption refunds are processed in accordance with that standard.	Ann English	10-31-06
4. ASC management will monitor compliance with that timeliness standard (see previous action step).	Dee Crumpler	10-31-06
E. Objective:	To provide appropriate Chameleon system controls.	
<i>Animal Service Center</i>		
1. The noted cashier's system permission allowing the reversal of recorded receipts will be removed.	Ann English	10-16-06
2. The noted kennel supervisor's system permission allowing the deletion of recorded data will be removed.	Stephanie Sikorski	10-16-06
3. Periodic reports reflecting reversal entries (both "F" receipts and "J" receipts) recorded under the kennel supervisor permissions will be generated and reviewed by the ASC manager or assistant manager for propriety and reasonableness.	Dee Crumpler	10-16-06
4. System administrator privileges assigned to the noted kennel supervisor will be removed and reassigned to a knowledgeable employee not having routine access to daily collections.	Stephanie Sikorski	10-16-06

5. System permissions of former ASC employees and volunteers will be removed.	Stephanie Sikorski	10-16-06
6. Written policies and/or procedures will be updated to require the timely removal of system permissions for individuals terminating employment or service at the ASC.	Jeanette Francis	10-31-06
7. Management will emphasize to each cashier the requirement that data only be recorded in the Chameleon system using his/her assigned system permission. Staff will be reminded to sign out of the Chameleon system and/or lock their terminals when they temporarily leave their assigned workstations (e.g., overnight, lunch, to attend meetings).	Dee Crumpler	10-16-06
8. Management will generate and review system reports reflecting instances where activity is recorded by an employee using another employee's system permission.	Dee Crumpler	10-16-06
9. ASC management will emphasize to staff that existing data should not be deleted when updating an animal's status in the Chameleon system. Staff will be properly trained to ensure they know how to update data without deleting the existing data.	Ann English	10-16-06
F. Objective:	To provide efficient and appropriate record retention.	
<i>Animal Service Center</i>		
1. Foster agreements and forms received from veterinarians certifying that required sterilizations were performed will be retained.	Ann English	10-16-06
2. Adoption refund records will be logically filed (e.g., by animal identification number) in a single designated location.	Jessica Wallace	10-16-06
3. An analysis will be conducted to determine if using the City's EDMS system to store ASC records will be more efficient and cost-effective compared to current storage of paper records.	Dee Crumpler	11-14-06

G. Objective:	To ensure consistent, correct, and appropriate work processes and practices.	
<i>Animal Service Center</i>		
1. Existing written policies and procedures will be obtained, reviewed, and updated based on (1) changes occurring since their initial establishment, (2) planned changes such as the new surgical ward and fee structure, and (3) issues identified in the audit.	Donna Hansell	10-16-06
2. ASC staff will be provided access to and will be trained on the updated policies and procedures (see previous action step).	Donna Hansell	10-16-06
H. Objective:	To ensure required animal sterilizations are done.	
<i>Animal Service Center</i>		
1. ASC staff will continue to follow up to ensure that adopted animals not sterilized in-house are properly sterilized.	Donna Hansell	10-16-06