

Final Audit Follow Up

As of September 30, 2004



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“Tallahassee-Leon Community Animal Service Center – Revenue Controls”

(Report #0313, Issued March 13, 2003)

Report #0514

January 4, 2005

Summary

Management of the Animal Service Center (ASC) has completed all 27 action plan steps developed to resolve issues identified in audit report #0313, Audit of the Tallahassee-Leon Community Animal Service Center – Revenue Controls. Critical steps completed include development, finalization, and implementation of written policies and procedures for ASC revenue and operational areas. Overall, controls and processes have been improved significantly at the ASC.

Additional Issue. During our audit follow up work, we became aware of an additional issue not addressed as part of our initial audit and follow up process. Specifically, ASC has not effectively ensured that adopted animals were spayed or neutered as required by State law and City policy. ASC management is aware of this issue and is currently identifying potential solutions. We recommend that ASC continue those efforts until the issue is resolved.

Scope, Objectives, and Methodology

Report #0313

The scope of report #0313 included a review of revenue activity and controls at the ASC during the period June 1999 through June 2002. The objectives of the audit were to determine whether adequate controls were in place to ensure that:

- adoption fees and other revenues were properly charged and collected;

- revenues and related activity were properly accounted for in the center's records;
- collected revenues were safeguarded and properly and timely deposited; and
- refunds of revenues were proper, authorized, and documented in the center's records.

The audit was conducted as a result of concerns expressed by the ASC Manager (hired in February 2002) to the Tallahassee Police Department (TPD). (NOTE: The ASC Manager resigned in October 2004, immediately prior to our audit follow up fieldwork.) Those concerns related to the propriety and appropriateness of several refund requests allegedly initiated and made by the former Office Supervisor. The ASC Manager also expressed concerns regarding a credit union bank account managed by the former Manager and Office Supervisor. Accordingly, an ancillary objective of our engagement was to provide investigative assistance to TPD. Subsequent to the completion of our audit and an investigation by TPD, the former Office Supervisor was arrested. That individual was tried in county court and found guilty of a misdemeanor involving theft of City funds.

In addition, our audit of ASC records disclosed adoption fees in excess of \$20,000 that were not deposited or otherwise accounted for by ASC records. Corrective controls were subsequently implemented by ASC management that have resulted in significant improvements in accounting for and safeguarding of revenues received by the ASC.

Report #0514

This is our third and final follow up on action plan steps identified in audit report #0313. In

our first two follow ups, we reported on progress and/or status of efforts to implement action plan steps due as of September 30, 2003, and March 31, 2004. The purpose of this final follow up is to report on the progress and/or status of the efforts to complete all remaining action plan steps due for completion during the period April 1, 2004, through September 30, 2004. To obtain information, we conducted interviews with key department staff and reviewed relevant documentation from ASC files and the Chameleon system (ASC software system).

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

Previous Conditions and Current Status

In report #0313, we identified issues that needed to be addressed by the ASC in order to establish a proper control environment and structure for revenues. These issues included, for example, training ASC employees in ethical behavior and expectations, periodically assessing risks, implementing adequate internal controls, preparing reports, and monitoring of activity and operations by management. Twenty-seven action plan steps were developed to address identified risks. Twenty of those steps were reported as completed in our follow up report issued as of March 31, 2004 (report #0415). The last seven of those action steps have now been completed. Table 1 provides a summary of the 27 action plan steps and their current status.

**Table 1
Action Plan Steps from Report #0313 and Current Status**

Action Plan Steps	Current Status
Improve the control environment at the ASC	
<ul style="list-style-type: none"> • Complete and comprehensive written procedures will be developed for the revenue operations at the ASC. 	<ul style="list-style-type: none"> ✓ ASC management has completed the development of various policies and procedures for ASC operations. These comprehensive policies address operational areas as well as revenue administration within those areas. Completed policies and procedures include: <ul style="list-style-type: none"> ○ Cash Register and Business Safe Policy ○ Cash Management Policy (this policy addresses Chameleon system activity as well, such as controlling and limiting access, using unique numbers to track animals, etc.) ○ Adoption Policy ○ Foster Policy ○ Transfer Policy ○ RTO Policy (policy for returning animals to owners, including related boarding fees) ○ TREATS Donation Policy ○ Euthanasia Policy ○ Voluntary Veterinary Service Policy ○ Refund Policy (e.g., refunding adoption and other fees).

<ul style="list-style-type: none"> All ASC employees will complete scheduled City training in ethical behavior and expectations. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Enhance cashier controls at the ASC</p>	
<ul style="list-style-type: none"> If other alternatives are not available (i.e., using the planned City cashiering system, known as "CORE"), ASC management will consider obtaining a cash register with the technology that allows each cashier to protect his/her transaction key through unique passwords that must be entered in the register to record a transaction. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Each cashier will be assigned a unique password for entering transactions in the new cash register and instructed to not share the password with others. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Safeguard collections at the ASC</p>	
<ul style="list-style-type: none"> Written procedures will provide that (1) the safe be locked when not in use and (2) the room in which the safe is located will be locked when unattended. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Enhance system controls at the ASC and segregate incompatible duties</p>	
<ul style="list-style-type: none"> The Office Supervisor that receives and processes collections for deposit and prepares daily cash reports will no longer have permissions that allow the recording or changing of activity in the Chameleon system. (Note – this action is needed to segregate incompatible duties that were performed by the former Office Supervisor.) 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> ASC management will complete a review of individual employee job assignments for the purpose of determining what Chameleon system permissions are necessary for those employees to perform their job duties. After the review is completed, each employee will be assigned a unique Chameleon system password that limits his/her system permissions to those needed to perform assigned job duties. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Employees will be instructed to not share their Chameleon system passwords with other individuals. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Each employee will be assigned a specific terminal(s) through which they shall access the Chameleon system. The employees will be instructed to only access the system through their designated terminal(s). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Employees will be instructed to close out of the Chameleon system or lock their terminals when they are away from their workstation due to lunch, breaks, or the end of the work day. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> ASC management, in conjunction with ISS, will follow up with the Chameleon system vendor to ascertain whether the capability for the system to "timeout" is available or expected to become available. In the event it is available, that function will be placed into operation. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

<ul style="list-style-type: none"> Written procedures will be developed to address Chameleon system controls, to include: (1) properly limiting employee system permissions, (2) not sharing system passwords, (3) accessing the system only through designated terminals, (4) closing out of the system and/or locking terminals when workstations are unattended, and (5) immediately deleting system access for employees upon their termination of employment. 	<ul style="list-style-type: none"> ✓ The recently implemented “Cash Management Policy” addresses the noted Chameleon system controls.
<p>Improve controls in recording of transactions and activity</p>	
<ul style="list-style-type: none"> Written procedures will be developed to address: (1) fee waivers, (2) required documentation to justify all Chameleon system transactions (e.g., transaction reversals), (3) standardization and processes for fee refunds, and (4) consistent and proper recording of transactions in the Chameleon system (i.e., to include use of a single identification number for an animal throughout its contacts with ASC, proper and consistent use of animal dispositions, and retention of historical data). 	<ul style="list-style-type: none"> ✓ Management has developed the following policies that address these issues: <ul style="list-style-type: none"> ○ Cash Register and Business Safe Policy ○ General Cash Management Policy (this policy addresses Chameleon system activity as well, such as controlling and limiting access, using unique numbers to track animals, etc.) ○ Adoption Policy ○ Foster Policy ○ Transfer Policy ○ RTO Policy (policy for returning animals to owners, including related boarding fees) ○ TREATS Donation Policy ○ Euthanasia Policy ○ Refund Policy (e.g., refunding adoption and other fees).
<ul style="list-style-type: none"> Written procedures will be developed to require execution of pet adoption contracts for each animal adoption, regardless of the adopting party. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Ensure timely deposit of collections</p>	
<ul style="list-style-type: none"> Written procedures will be developed to require that collections be deposited intact and timely. 	<ul style="list-style-type: none"> ✓ Management developed a “Cash Management Policy” that includes, among other things, a requirement to deposit collections intact and timely.
<ul style="list-style-type: none"> Written procedures will be developed to provide that personal checks may not be cashed out of ASC collections. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Improve controls over donations</p>	
<ul style="list-style-type: none"> ASC management will consider using a lock box at the center for individuals to place donations for TREATS (the non-profit organization that accepts public donations that may be used for the benefit of the ASC). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Written procedures will be developed that incorporate the method and process for TREATS donations. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Provide independent managerial verifications</p>	
<ul style="list-style-type: none"> ASC management will complete the design of Chameleon system reports that reflect revenue and non-revenue activity. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

<ul style="list-style-type: none"> Revenue activity reports generated pursuant to completion of the preceding action step will be used by ASC management to reconcile collection amounts per the Chameleon system to amounts deposited based on cash deposit records. This step will serve to ensure that funds are properly processed and deposited by those employees handling collections (e.g., cashiers and the Office Supervisor). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> ASC management will periodically reconcile euthanizations recorded in the Chameleon system to euthanizations recorded on the log maintained in the animal processing section. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> ASC management will review the non-revenue activity (e.g., animal disposition such as foster adoptions, euthanizations, releases and transfers), fee waivers, and reversed/reviced transactions per the periodic Chameleon system reports for reasonableness and compliance with established procedures. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Written procedures will be developed to address the independent (managerial) reconciliations/verifications noted in the three preceding action steps. 	<ul style="list-style-type: none"> ✓ The recently developed “Cash Management Policy” and “Euthanasia Policy” require the noted independent/managerial reconciliations and verifications.
<p>Ensure retention of records</p>	
<ul style="list-style-type: none"> Written procedures will be developed to require that all collection related records, including cash register tapes, be retained in accordance with City record retention requirements. Those records will be retained and safeguarded in a secure location. 	<ul style="list-style-type: none"> ✓ The recently developed “Cash Management Policy” requires that all collection records be retained in a secure location in accordance with City record retention requirements.
<p>Regularly and efficiently back up Chameleon database</p>	
<ul style="list-style-type: none"> Upon implementation of the new City server, the process for regularly backing up the Chameleon system database will be fully automated. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Assess risks periodically</p>	
<ul style="list-style-type: none"> The Assistant City Manager and the Director of the Department of Neighborhood and Community Services (NCS) will ensure that trained staff periodically visits the ASC and reviews operations and programs, interviews ASC staff, and analyzes activity for the purpose of identifying and mitigating risks. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Train staff on revised methods, processes, and procedures</p>	
<ul style="list-style-type: none"> Due to the significant changes made pursuant to the preceding action plan steps, ASC management will provide appropriate training to ASC staff on revised methods, processes, and procedures. 	<ul style="list-style-type: none"> ✓ ASC management and staff are continuously provided training on revised processes and procedures. In addition, new policies require that cashiers and office/administrative staff be provided appropriate Chameleon system training upon hire.

Table Legend:

- Issue addressed in the original audit
- ✓ Issue addressed and resolved

Additional Significant Issue

During our follow up work, we became aware of an additional issue not addressed as part of our original audit and follow up process. This issue is described below.

ASC has not effectively ensured that all adopted animals are spayed or neutered (altered). State law and ASC policy provide that each adopted animal must be altered. The majority of adopted animals are altered when being checked and examined by a veterinarian before an individual takes custody after executing an adoption contract. However, in some instances an animal cannot immediately be altered (e.g., the veterinarian determines the animal is sick or too young). In those instances, ASC policy allows the individual to take custody of the animal but requires that a licensed veterinarian provide evidence when the issue that initially precluded alteration is alleviated and the procedure is performed. For those cases, policy requires the adopter to place a deposit either with: (1) a participating licensed veterinarian (\$30 deposit) or, (2) the ASC (\$50 or higher deposit) in the event of a non-participating veterinarian. Adopters paying the deposit to the ASC may obtain a refund of their deposit after a licensed veterinarian provides proof that the alteration procedure was performed. Individuals paying the deposit to a licensed veterinarian may apply the deposit to the alteration fee charged by the veterinarian or obtain a refund if no fee is charged.

For each adopted animal, ASC staff is required to record in the ASC software system (Chameleon) the due date for the animal's alteration and the actual date of alteration. The actual date of alteration is determined from evidence (completed sterilization form) submitted by the licensed veterinarian performing the service. Animals that are adopted but not yet altered can be identified in the Chameleon system as those adopted animals without any date entered into the alteration date field.

ASC staff indicated that, sometime in December 2003, they started maintaining separate files for adoptions that were pending evidence of

alteration. Our count of those files indicates approximately 1,155 adoptions that were pending appropriate evidence that a licensed veterinarian has performed the required alterations. Furthermore, our review of Chameleon system data (obtained with the assistance of Information Systems Services staff) showed 3,441 adoptions since 1998 for which evidence of alterations had not been recorded in the system (1,270 of these adoptions occurred in 2004). In each of those 3,441 cases, the recorded due date for the alteration had passed. ASC staff indicated that some (unknown number) of these instances are attributable to licensed veterinarians not providing evidence to ASC of completed alterations.

Alteration of adopted animals is required by state law and ASC policy. Requiring adopters to pay an "alteration deposit" and not following up to ascertain if the alteration was done increases the risk that individuals will forfeit the deposit and allow the animal to breed. For certain breeds, that practice could be profitable to an individual (i.e., raise and sell puppies).

In our discussions on this matter, ASC staff acknowledged: (1) the multitude of adoptions pending evidence of alterations and (2) the lack of adequate follow up on those cases. ASC management attributed the lack of follow up to:

- staffing limitations, and
- current staff's lack of Chameleon system permissions allowing access to reports identifying those cases (i.e., the ASC Manager who resigned in October 2004 was the only employee with those system permissions).

ASC staff indicated that plans are currently being considered to address this issue. Potential plans being considered include the following: (1) Chameleon system permissions will be obtained allowing generation of reports identifying adoptions for which the alteration due dates have passed (actions already initiated), (2) extracted information will be used to contact the applicable veterinarians and/or send the adopters a standard letter requesting evidence of the required alterations, and (3) for those not providing favorable responses, the

animals will be picked up by an animal control officer and/or the case referred to the City Attorney’s Office for legal action. However, they indicated implementation of these steps would require staff resources and, as a result, may be potentially difficult to implement. Alternatives being considered by ASC staff include: (1) not allowing any animal to be adopted with custody transferred to the adopter until the alteration is performed, (2) hiring a licensed veterinarian (potentially part-time) to perform the required alterations at the ASC and not relying on other veterinarians to perform and provide evidence of the alterations, and/or (3) requiring all deposits to be placed with the ASC and significantly increasing the amount of those deposits as a stronger incentive for adopters to provide required evidence of alteration.

We recommend that the ASC continue pursuing and evaluating the described alternatives. Once determined, the most appropriate alternative should be implemented to assure compliance with State law and City policy. Furthermore, efforts should be made to: (1) use the Chameleon system and existing paper files to accurately identify all adoptions for which evidence of alteration is pending (regardless of whether the deposit was placed with the ASC or a participating veterinarian), and (2) resolve the current backlog of cases on file at the ASC.

Conclusion

ASC management has been responsive in completing actions necessary to establish a good control environment and structure. All actions steps developed to address issues

identified in audit report #0313 have been successfully completed.

Notwithstanding the above, an additional issue has been identified at the ASC. Specifically, ASC has not effectively ensured that required alterations (spaying and neutering of animals) have been performed for adopted animals. Records indicate that there is a significant backlog of cases for which evidence of the required alterations has not been provided to ASC and/or recorded in the Chameleon system. ASC staff is currently identifying potential actions to resolve this issue. We recommend that those efforts be continued until resolution is achieved.

We appreciate the response and assistance provided by ASC staff during this audit follow up.

Response from Appointed Official

City Manager Response:

We appreciate the assistance that has been provided by the City Auditor and his staff in helping address the Animal Service Center policy and procedural issues. I am very pleased with the progress we have made and know that our Animal Service staff is committed to continued improvement. They have done an exceptional job in developing the policies and procedures and in the implementation process, under some very difficult circumstances, and they are to be commended for their dedication. We look forward to having the new manager in place to help continue the significant progress we have made to date.

Copies of this final Audit Follow Up or audit report #0313 may be obtained from the City Auditor's web site (<http://talgov.com/citytlh/auditing/index.html>), or via request 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).

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