



Internal Audit Report

**Animal Care & Control
June 2004**



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June 14, 2004

Andrew Kunasek, Chairman, Board of Supervisors
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We have completed our FY 2004 review of the Animal Care and Control Department (AC&C). The audit was performed in accordance with the annual audit plan approved by the Board of Supervisors. The specific areas reviewed were selected through a formal risk-assessment process.

Highlights of this report include the following:

- AC&C's extensive use of adoption fee discounts may have reduced FY 2003 revenues by an estimated \$500,000.
- AC&C accurately reports animal disposition statistics when compared against information from the department's internal system.
- Controls over inventory and procurement are weak, contributing to budgetary overages and increasing the likelihood of loss and waste.

This report contains an executive summary, specific information on the areas reviewed, and AC&C's response to our recommendations. We have reviewed this information with the Acting Director and appreciate the excellent cooperation provided by management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Eve Murillo at 602-506-7245.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

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Executive Summary

Fee Revenue (Page 9)

Animal Care and Control (AC&C) encourages adoption activity by extensively offering adoption fee discounts, however, these discounts decrease revenues. We estimate that if AC&C had allowed no discounts in FY 2003, they could have collected up to \$500,000 more in revenue. Although some fee discounting is beneficial, AC&C needs to balance adoption incentives with revenue needs. Animal Care and Control should implement effective management controls over reduced fee transactions.

Animal Disposition Statistics (Page 12)

AC&C accurately reports animal disposition statistics when compared against information from the department's internal system. However, we noted minor inconsistencies in reporting to outside agencies and the general public. Outdated or inaccurate disposition statistics do not properly represent the department's progress to County management and citizens. Animal Care and Control should update disposition information on its website and reconcile all reporting to outside agencies against internal statistics.

Medical and Office Supplies (Page 15)

AC&C's current procurement controls are not sufficient to ensure that office and medical supplies are actually received and that amounts charged are accurate. As a result, the FY 2003 clinic and office supply expenditures were over budget by approximately \$350,000. Animal Care and Control should strengthen controls over these areas.

Cash and Revenue Controls (Page 17)

AC&C cash and revenue reporting procedures contain significant internal control weaknesses. These control weaknesses increase the risk that department assets may be misused, or that revenues may be incorrectly reported. AC&C should incorporate key internal controls into its Finance and Business Office policies and procedures.

Performance Measure Certification (Page 19)

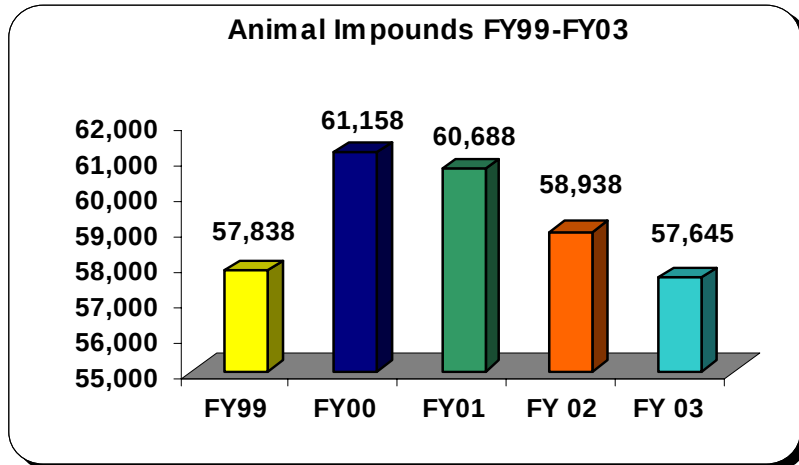
Three out of five (60%) AC&C Managing for Results measures tested were reported "Not Certified." Without accurate and available performance measure data, the department cannot determine if objectives have been met. AC&C should develop written procedures for collecting, reporting, and validating key performance measures.

Introduction

Background

Changing citizen expectations prompted Animal Care and Control's (AC&C) mission to evolve over the years. Initially, AC&C's primary mandate was to protect the public from rabies by vaccinating, licensing, and impounding stray and potentially rabid dogs. According to the Humane Society of the United States (HSUS), during the 1970's, animal overpopulation replaced rabies as

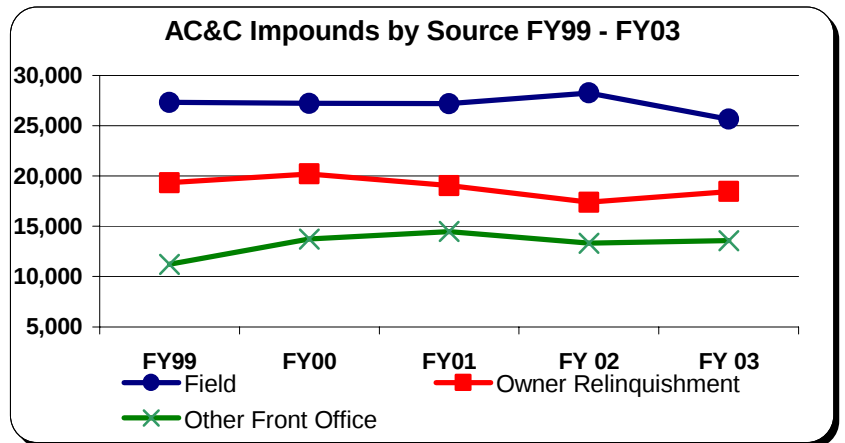
one of the most serious problems facing municipal governments. A three-pronged policy strategy emerged that guided the animal shelter community into the mid 1990's: Legislation, Education, and Sterilization. Efforts began to reduce euthanasias by establishing local sterilization programs, mandating adequate licensing fees, and educating pet guardians and veterinarians on the importance of sterilization.¹



AC&C impounds are at a five year low due to a reduction in Field Service activities. See graph below.

A 1973 national survey by HSUS disclosed that 13.5 million dogs and cats were euthanized nationwide. A 1982 follow-up survey suggested that the total number of euthanasias was between 8 and 10 million. This decline took place while overall pet ownership increased from an estimated 60 million in 1973 to 90 million in 1983. National euthanasia estimates for calendar year 2000 are reported at 4.6 million.²

These graphs show changes in AC&C's impounds and how sources of impounds vary. AC&C impounded approximately 57,000 animals in

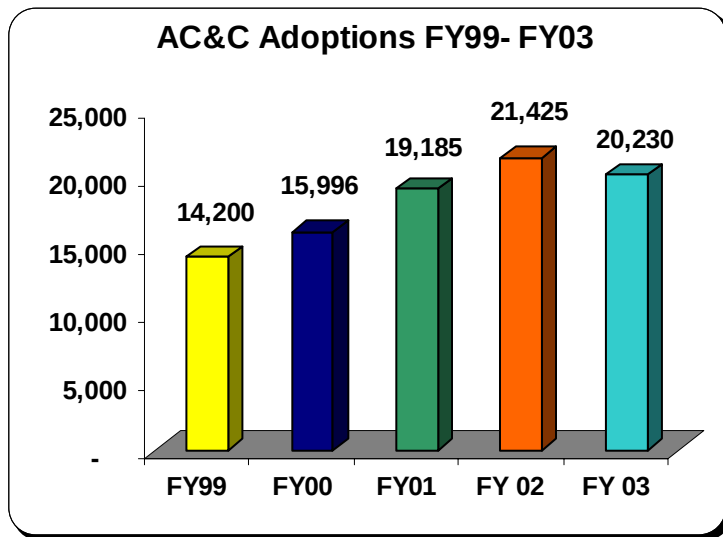


Field Service activity saw the largest impound reduction: a five year 5% drop. According to AC&C, an increase in spays and neuters caused the reduction.

FY 2003; 38 percent of these animals were adopted into new homes, 11 percent were returned to pet guardians, and 51 percent were euthanized. AC&C impounds have gradually declined over the past four years from an FY 2000 high of 61,000.

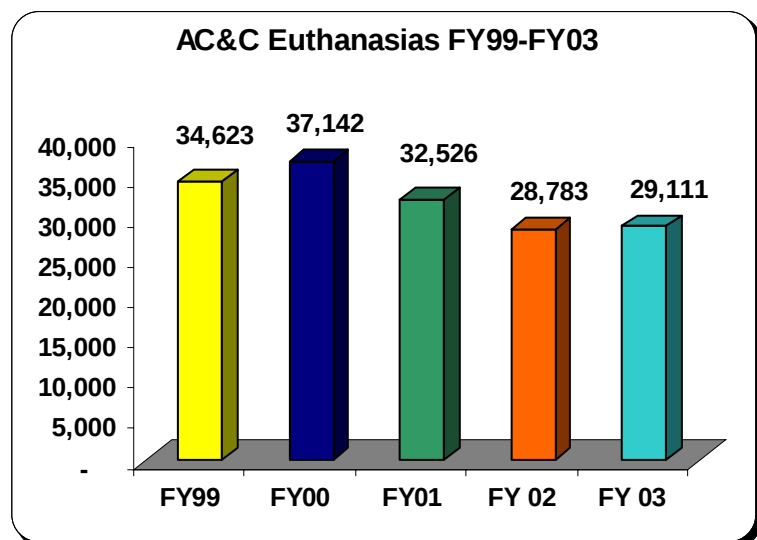
A primary focus of animal shelters is to find new homes for dogs and cats who enter the shelter system. Along with many other animal shelters nationwide, AC&C must euthanize healthy, adoptable animals because the number of animals entering shelters exceeds available home placements.

Based on national statistics, AC&C's overall trends are similar to those of other large shelters throughout the United States. The HSUS study implies that the policies of the 1970's (legislation, education, and sterilization) have positively impacted the success of the shelters. The graphs below show changes in AC&C's adoptions and euthanasias from FY 1999 through FY 2003:



Adoptions include outside rescue organizations known as New Hope partners

Euthanasias include animals put down due to disease, temperament, and owner requests



Mission, Goals, and Core Business

The AC&C mission is to promote and protect the health, safety, and welfare of pets and people in Maricopa County so that citizens can be free from nuisances, diseases, and other dangers caused by animals. Maricopa County is responsible for enforcing legislation and ordinances in unincorporated County areas. The County also enforces State legislation for those municipalities that do not enact local ordinances equal to or more stringent than State Statutes. AC&C is mandated to:

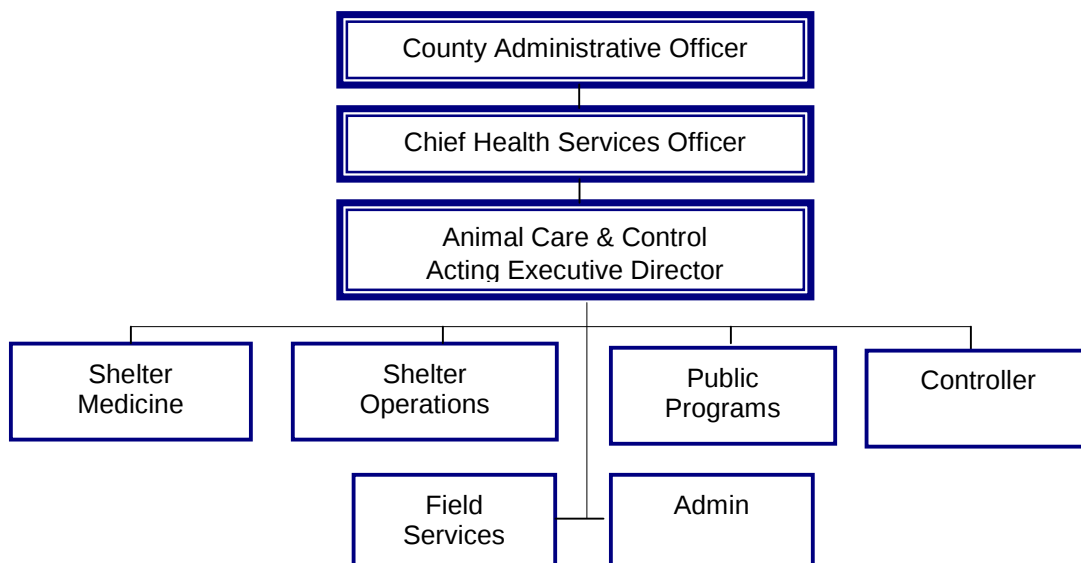
- Provide dog licensing and durable dog tags, and enforce the laws and ordinances that govern rabies vaccinations
- Humanely shelter and, if necessary, euthanize unwanted dogs and cats, and provide an opportunity for citizens to reclaim and/or adopt pets
- Make provisions for the spaying and neutering of all adopted animals
- Impound stray dogs, and control the handling/disposition of bite animals and vicious dogs
- Issue citations and license violation warnings

AC&C key goals are to:

- Achieve a "no kill" environment by FY 2007 (euthanasia rate of 3 adoptable animals per human population of 1,000)
- Increase customer satisfaction by 5 percent by FY 2005 based on the FY 2000 AC&C customer service survey
- Increase alternative funding to 5 percent of total AC&C revenue by 2005
- Maintain current 2-week turnaround for dog license issuance

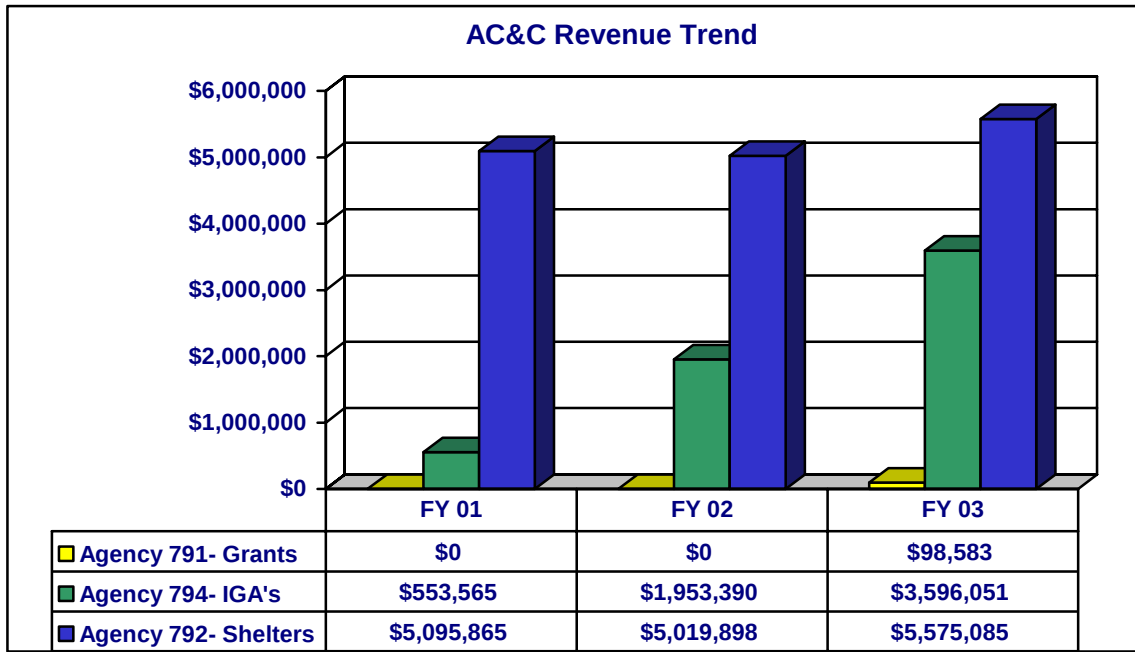
Organizational Structure

AC&C's organization chart is illustrated below:



Financial Data and Budget

AC&C posted its FY 2003 revenue and expenditures to three operating funds: Grants (Contributions), Intergovernmental Agreements (IGA's) (Field Services), and Special (Shelter Services). The department's FY 2001-2003 revenues are shown on the chart below. Shelter revenue (adoption and license fees) is AC&C's primary revenue source, averaging 73 percent of total revenue for the past three years. IGAs account for 26 percent, with grants providing a small but growing portion of AC&C's revenues beginning in FY 2003.



IGA revenues increased six times (FY 01 - FY 03) because AC&C entered into new Field Service contracts that more accurately reflected the costs of delivering field service operations.

Key Operational Programs

Sheltering and Adoption Program:
AC&C's Shelter Operations Program provides modern sheltering and professional adoption services to Maricopa County by adopting healthy well-adjusted animals. AC&C operates two shelters and one adoption center, along with several alternative placement programs including mobile adoptions, Petsmart placements, and over 30 New Hope partner placement groups. Shelter Services also euthanizes unwanted, sick, unadoptable, and vicious animals brought into AC&C. Most of AC&C's 935 kennels are devoted to sheltering smaller animals.



A volunteer assists during one of AC&C's Spay Day events.

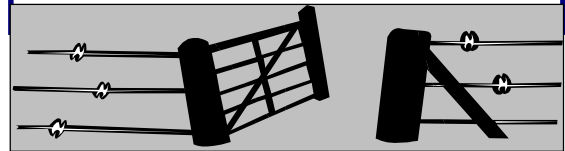
The program also administers medical services to animals under AC&C care. These services are primarily limited to sterilizing, euthanizing, and basic care due to animal cruelty situations. Two veterinarians are assigned for the East and West clinics. Contract veterinarians are used to fill in for the AC&C vets when needed.

Field Services Program: AC&C Field Service Operations (FSO) provide contractual animal control services to unincorporated areas and cities and towns within the County. FSO responds to calls from the public regarding stray, vicious, and at large animals. These activities are performed by animal control officers, with the assistance of AC&C call center clerks and dispatch employees. FSO is funded through IGAs between AC&C and cities and towns within Maricopa County.

Customer Service Program: This program includes the Pet Licensing and Call Center activities. AC&C Licensing issues new, renewal, and transfer pet licenses. The Call Center answers approximately 3,000 calls from the public per month. At the time of this audit, AC&C had recently terminated its vendor contract for pet license processing due to failure to perform. A new vendor is being selected. According to AC&C management, licensing backlog continues to be a challenge for this division due to prior vendor nonperformance.

“At the time the County was created, (1871) the Sheriff’s responsibilities included ‘dog catching’ along with assessment and tax collection. There were no County kennels or pounds for strays. Instead, the Sheriff tied up stray dogs in a corral with horses, cattle, and other unclaimed farm animals until they were retrieved by their owners.”

**--Vince Murray, Historian
Flood Control District**



Scope and Methodology

The objectives of this audit were to determine that AC&C:

- Collects fees according to the most recent Board of Supervisor approved fee schedule
- Accurately reports animal disposition statistics
- Implements appropriate controls over office and medical supply transactions ensuring inventory accuracy and appropriate expenditure validity
- Effectively gathers and reports accurate and reliable information for Managing for Results (MfR) key measures
- Integrates significant controls over the cash receipts and revenue recognition cycle into Business and Finance Office procedures

This audit was performed in accordance with generally accepted government auditing standards.

Areas for Future Consideration

The following audit procedures should be considered in future audits:

- Testing the accuracy and timing of the new vendor license tracking system
- Verifying through additional testing that animals brought into AC&C shelters are fully accounted for through the animal tracking system (Chameleon)

¹ Humane Society of the United States: "The State of the Animals Part II 2003: "Companion Animal Demographics in the United States: A Historical Perspective," p. 14.

²Ibid, p. 15.

Department Reported Accomplishments

Animal Care & Control has provided the following information for inclusion in this report.

Maricopa County Animal Care & Control (AC&C) has maintained its ongoing innovative programs while increasing its ability to serve the citizens of Maricopa County in the following ways:

Licensing

Licensing dogs increased from 275,914 to 281,256 for a compliance rate of 42% compared the national average compliance rate of 21%.

Customer Service Center/Field Communications Center

AC&C created a Customer Service Center to provide a central point of contact for all telephonic department related customer service issues, thereby freeing up Business office Associates and program managers. AC&C also created a Field Communications Center to focus on providing a telephonic customer service center *specific* to Field Operations in compliance with the Intergovernmental agreements with cities and towns.

Animal Welfare – Public Education Programs

AC&C continue its life-saving programs that encourage owners to keep their animals rather than turning them into the shelter.

These Project Safety Net programs include:

- Project Pet Food that dispenses pet food to low-income pet owners
- Spay Days that provides spay/neuter surgeries the animals of low income citizens
- Operation Felix which provides feral cat – trap/neuter/release (TNR) information to citizens
- STAR medical program which provides donated health-care to injured animals
- Foster program that places puppies and kittens in volunteer homes until they are old enough to be adopted.

Issue 1 Fee Revenue

Summary

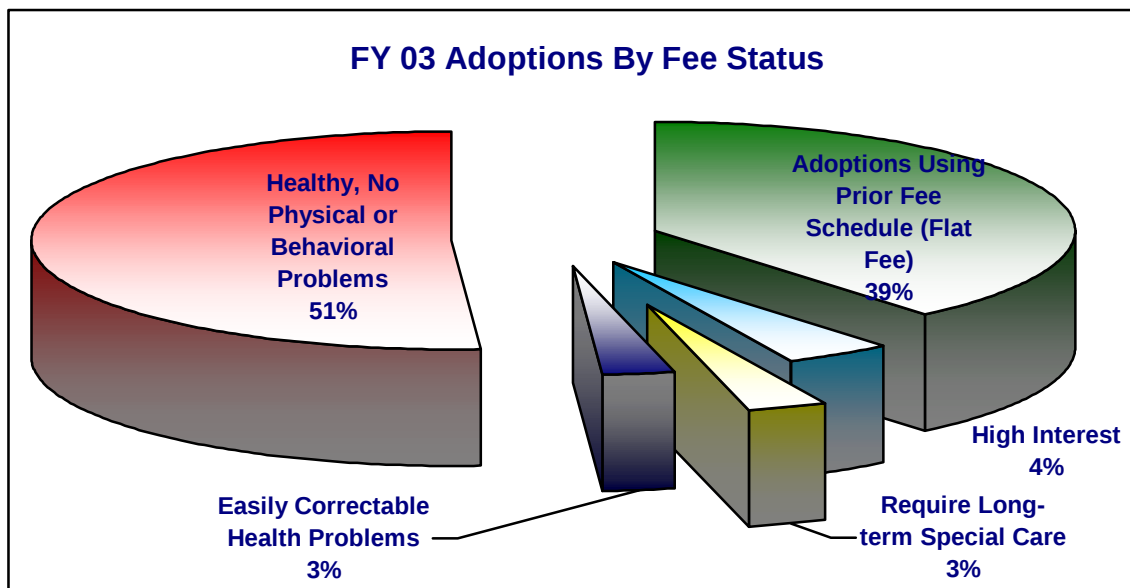
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Criteria

County financial policies require departments to develop appropriate controls over all activities related to revenue collection, timely deposit, and recording for each collection location.

New Adoption Fee Schedule

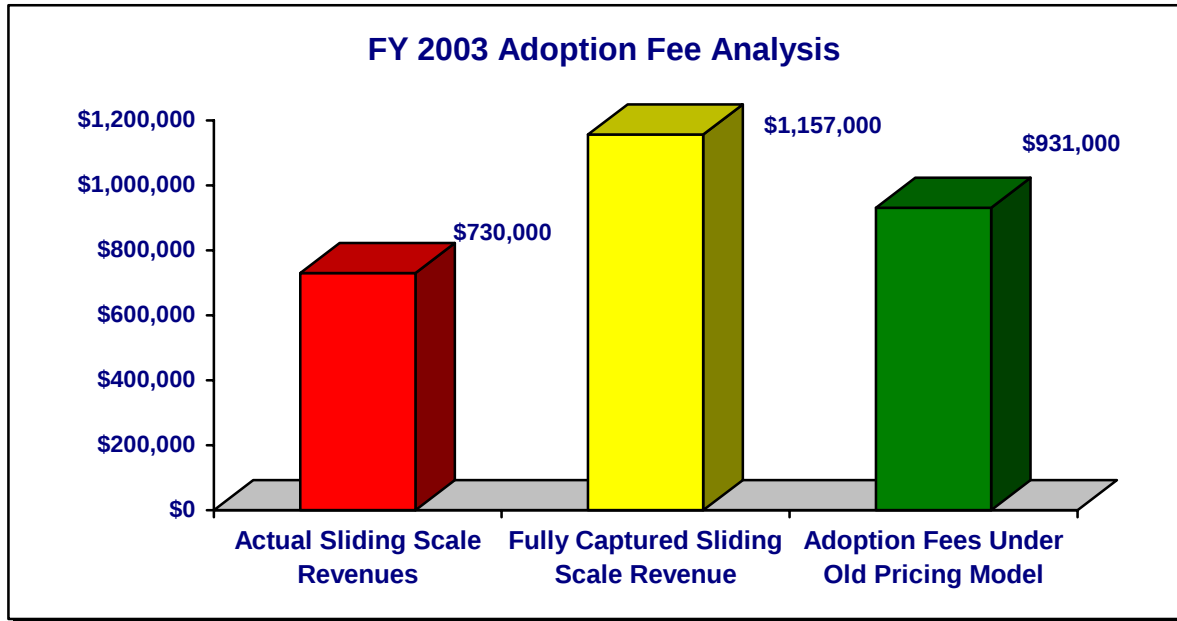
In September 2002, the Board of Supervisors (BOS) approved AC&C's adoption fee schedule. The fee schedule is a sliding scale based on predetermined adoptability standards. Approved fees range from \$150 for highly desirable animals to \$35 for animals with special behavioral or medical needs. AC&C did not fully convert to the revised schedule until January 2003. The chart below depicts the percentage of animals adopted in each category.



The new adoption fee schedule is tied to the desirability of the adoptable animals- 51% of the animals AC&C puts up for adoption fall into the desirable range.

Adoption Fee Revenue Analysis

Our analysis of adoption fee revenue disclosed that as much as 90 percent of all FY 2003 adoption transactions (approximately 20,000) were executed below the standardized rates approved by the Board. The following graph shows the result of these adoption fee revenue comparisons.



If AC&C had fully charged adoption fees according to the sliding scale schedule (middle bar), the department could have realized additional revenues in excess of \$400,000 above amounts actually collected. Full implementation of the sliding scale schedule would have resulted in a \$200,000 favorable variance when compared to the old pricing model.

Source of Lost Revenue

The September 2002 BOS action also authorized reduced fees for special adoption events and seasonal periods when kennel space is at a premium. AC&C management has not tracked discounted fee transactions to measure their impact on revenue. During periods of overcrowding, AC&C Business Office managers are responsible for discounting fees on a discretionary basis. However, the department does not keep track of such discounts. This practice impairs AC&C's ability to accurately forecast and budget revenues.

Analysis of Other AC&C Fees

We also verified fee revenue from three additional AC&C transaction types (rabies vaccinations, impounds, and 4-in-1 vaccinations). The table on the following page compares fee revenue collections to fee schedules for each transaction type.

Transaction Type	Total Number of Transactions	Fee Revenues if Fee Schedule Applied	Actual Fee Revenues	Uncollected Revenues	Number of Transactions Undercharged
Impounds	5,644	\$276,860	\$258,328	\$18,531	493
Rabies Vaccines	26,040	\$260,400	\$196,013	\$64,387	11,807
4 in 1 Vaccines	3,223	\$32,230	\$27,145	\$5,085	1,187

AC&C does not use system edits within its receipting screens to establish controls over unauthorized changes to fee schedules or clerical errors. Training issues also delayed AC&C's full implementation of the new fee schedules.

Recommendation

AC&C should:

- A. Update cashier level user profiles in Chameleon, requiring Supervisor override when altering standardized fee structures.
- B. Create a budget by location for reduced fee transactions.
- C. Create a by-location exception report for AC&C management showing reduced fee transactions in comparison with relative reduced fee budget.

Issue 2 Animal Disposition Statistics

Summary

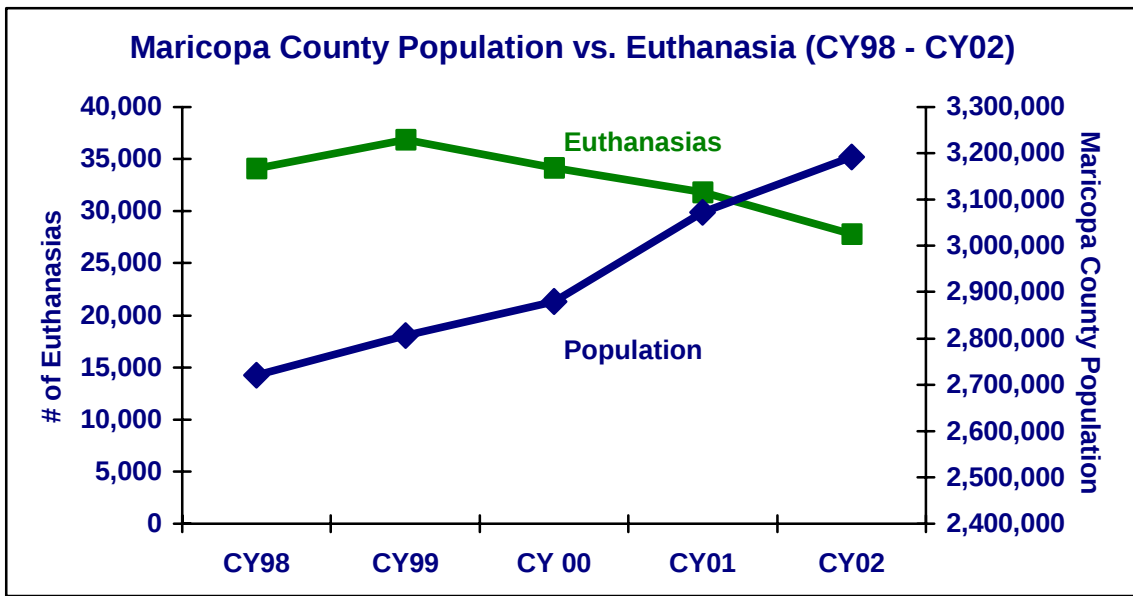
Animal Care & Control accurately reports animal disposition statistics when compared against information from the department's internal system. However, we noted minor inconsistencies in reporting to outside agencies and the general public. Outdated or inaccurate disposition statistics do not properly represent the department's progress to County management and citizens. Animal Care & Control should update disposition information on its website and reconcile all reporting to outside agencies against internal statistics.

Compliance Requirements

The MfR Strategic Planning Resource Guide states in part that, "Maricopa County is accountable to its residents by communicating what it does or does not achieve. The strategic plans and the performance measures included within the plans provide information about results that are meaningful to both employees and the public."

Disposition Testing Results

AC&C, like other municipal and non-profit shelters, reports euthanasia and adoption results on a per 1,000 population basis. We confirmed that AC&C's data shows euthanasias have decreased from 12 per 1,000 to 9 per 1,000 County population (Calendar Year 1998 in comparison to Calendar Year 2002). We did not test the validity of AC&C's internal tracking system data as part of this audit. AC&C's euthanasia trend is compared to the County's population trend below:



The County's population has grown approximately 17 percent over the last five years, while AC&C's reduction in euthanasia rate is approximately 18 percent over the same time period.

Benchmarking Results

We conducted a limited benchmarking survey to determine how other entities track animal disposition statistics and how AC&C euthanasia rates compare with benchmark entities. Our survey revealed that:

- Animal shelter and control organizations do not maintain uniform statistics for many key performance measures
- Definitions for commonly used terms such as “adoptable” and standardized reasons for euthanasia are not consistently applied within the animal sheltering community
- Although there are reporting inconsistencies among agencies, AC&C’s total euthanasia rates are comparable to those of benchmarked agencies

“National euthanasia statistics are difficult to pinpoint because animal care and control agencies are not uniformly required to keep statistics on the number of animals taken in, adopted, euthanized, or reclaimed”³

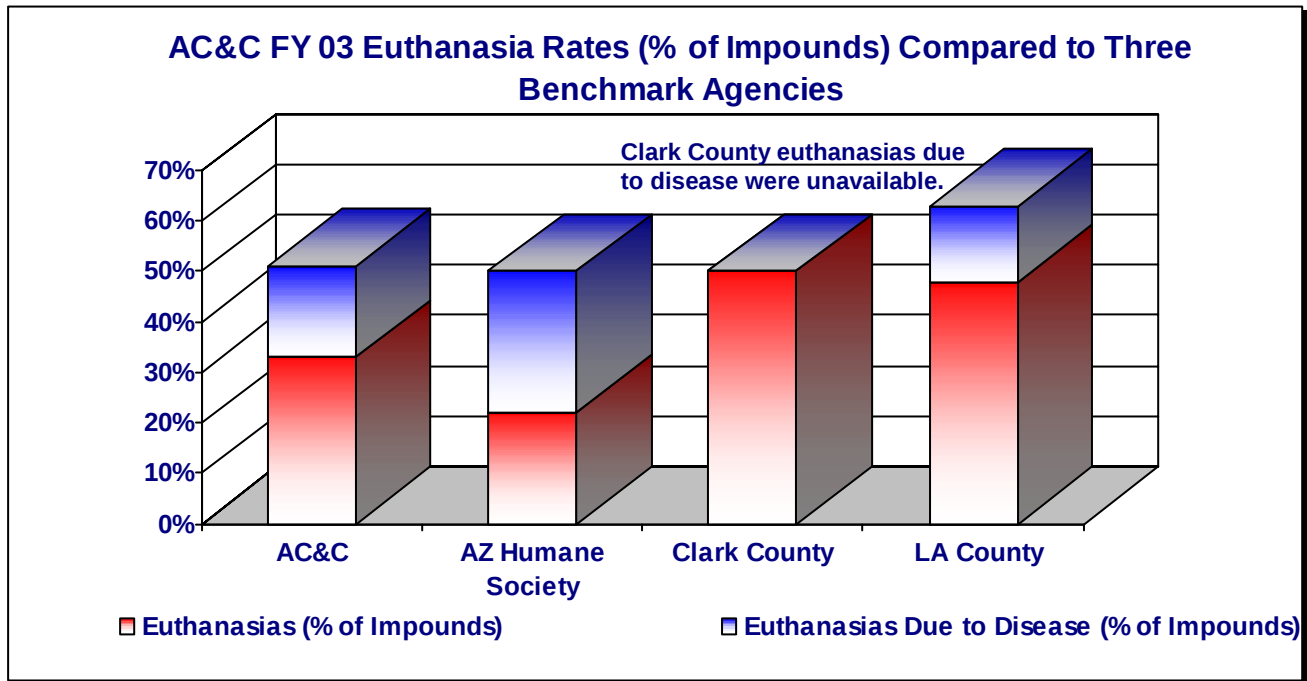
Rescue Organization Input

We conducted interviews with Maddie’s Fund personnel and other national animal rescue organizations. Maddie’s Fund is a non-profit nationwide entity that distributes grant funding to shelter organizations, animal control agencies, and rescue groups focused on increasing adoptions and saving healthy shelter animals. Each type of organization recognized the growing need for consistently presented animal disposition statistics.

AC&C, along with other Maddie’s Fund participants, now apply more uniform disposition classifications for terms such as adoptable, treatable, and non-rehabilitatable when submitting quarterly status reports. Maddie’s Fund does not make these numbers available in aggregate and does not audit the statistics received from participants. We found small discrepancies between AC&C’s internally generated animal disposition statistics and the quarterly reports sent to Maddie’s Fund.

Based on limited availability of disposition statistics, we compared AC&C impound, euthanasia, and euthanasia due to disease to three other agencies. The chart on the next page reflects our benchmarking results:

³ Journal of Applied Animal Welfare Science, January 1999 2(1). “Reasons for Relinquishment of Companion Animals in U.S. Animal Shelters: Selected Health and Personal Issues” p 41-57.



AC&C's rate of euthanasia is comparable to the benchmarks depicted above when measured as a percent of impounds. Euthanasia resulting from contagious disease outbreaks also appear comparable to other similar agencies.

Impact

If AC&C does not present accurate or timely disposition statistics, County Management and citizens are not made aware of the department's progress and important policy decisions cannot be effectively implemented.

Recommendation

AC&C should:

- A. Update the charts and statistics on its website to reflect current operational results.
- B. Reconcile all reporting to outside agencies against internal animal tracking system (Chameleon) reports to ensure accuracy and consistency.

Issue 3 Medical and Office Supplies

Summary

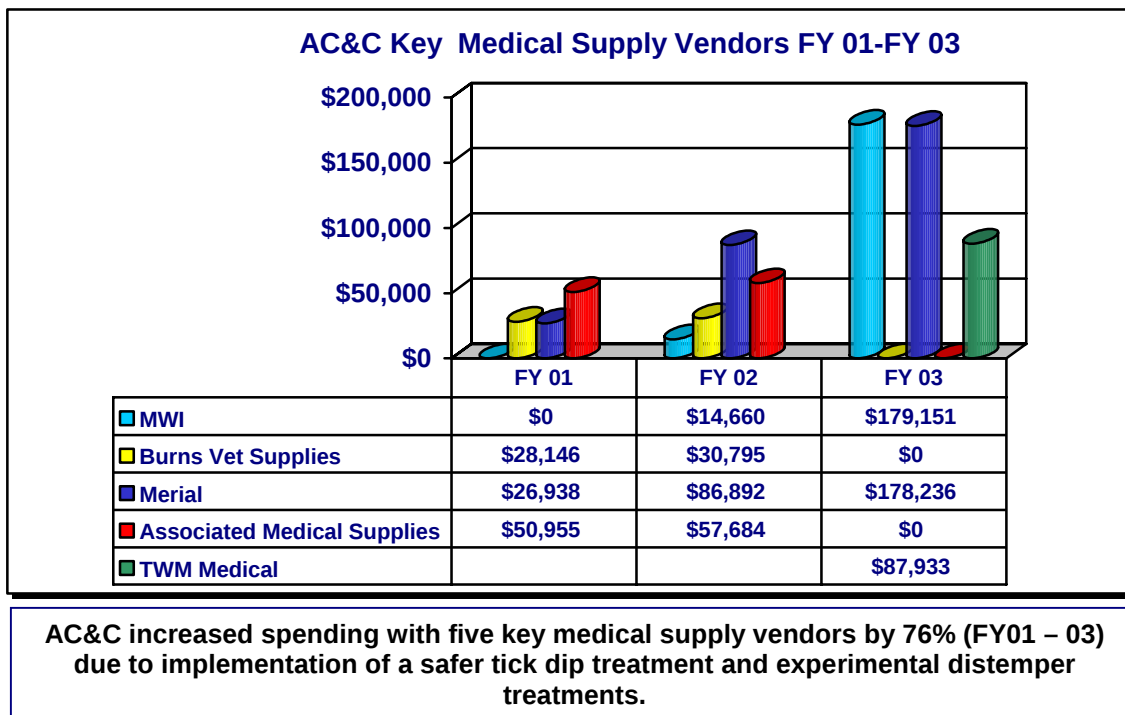
AC&C's current procurement controls are not sufficient to ensure that office and medical supplies are actually received and that amounts charged are accurate. As a result, the FY 2003 clinic and office supply expenditures were over budget by approximately \$350,000. Animal Care & Control should strengthen controls over these areas.

Criteria

County policy requires that department management review requests for purchases of goods and services, ensuring that budgeted funds are available to pay for them.

Medical and Office Supply Expenditure Trends

The following chart shows expenditure trends for medical and pharmaceutical supplies.



In FY 2002, AC&C changed their tick treatment procedures from a traditional dip to a safer ointment treatment (Frontline) that reduces human health risk. Merial expenditures (AC&C's primary Frontline vendor) went from \$26,000 in FY 2001 to \$178,000 in FY 2003. In FY 2003, the former AC&C Clinic Director instituted an experimental treatment of distemper that required the use of several drugs, ordered through MWI Veterinary Supply. This experimental distemper treatment contributed significantly to the MWI expenditure increase from \$15,000 in FY 2002 to \$180,000 in FY 2003. AC&C discontinued the experimental distemper treatments in January 2004.

Procurement Process Weaknesses

We analyzed controls over AC&C's procurement and inventory procedures and noted the following weaknesses:

- AC&C accumulated at least \$750 in finance charges due to slow payment
- Packing slips (when available from the vendor) are not consistently forwarded to the appropriate personnel for match-up to invoices and statements
- Receivers were not available for review for 23 out of 187 sampled medical supply transactions
- AC&C continues to procure items from an account belonging to another legal entity (Maricopa Animal Foundation which is a now defunct operator of AC&C clinics) with an outstanding balance of over \$7,000 (presently in dispute with AC&C)
- AC&C uses multiple accounts with three medical supply vendors

Impact of Over Expenditures

AC&C's FY 2003 medical supply expenditures exceeded budget by approximately \$250,000 (100%) and general and office supply expenditures exceeded budget by \$104,000 (50%). AC&C's controls over its procurement cycle (order, packing slip, invoice, and statement) do not provide an adequate level of assurance that supplies ordered were received and that amounts charged were accurate.

Recommendation

AC&C should:

- A. Centralize inventory and procurement ensuring that quantities ordered are in line with historic needs.
- B. Ensure that all bills are sent directly to the Controller's office and collapse all multi-account vendors into a single account.
- C. Develop procedures ensuring that all invoices are paid timely, and that finance charges are not incurred.
- D. Maintain budget to actual expenditure integrity by ensuring that all medical and office expenditures are properly allocated to the correct accounting codes.

Issue 4 Cash and Revenue Controls

Summary

AC&C cash and revenue reporting procedures contain significant internal control weaknesses. These control weaknesses increase the risk that department assets may be misused, or that revenues may be incorrectly reported. AC&C should incorporate key internal controls into its Finance and Business Office policies and procedures.

County Policies and Procedures

Maricopa County Budgeting for Results Accountability Policy B1001 states in part “If a Department/Special District exceeds its annual expenditure appropriation, Internal Audit will review the Department/Special District’s expenditures, identify the causes of the overrun, and report its findings to the Board of Supervisors/Board of Directors.”

Prior Audit Findings

The Internal Audit Department engaged outside auditors (KPMG) in November 2003 to assist in the review and reconciliation of AC&C’s depository accounts. That audit found revenue recognition discrepancies resulting from failure to reconcile cash between bank depository accounts and Treasurer’s reports. During this audit, KPMG reviewed the cash receipt and revenue recognition cycle, and documented control weaknesses in Business and Finance Office procedures. A complete overview of KPMG findings was made available to the department.

Cash Receipts and Revenue Recognition

The AC&C Controller is now updating cash receipt and revenue reconciliation procedures to ensure adequate controls over key reporting areas. Some of the significant gaps observed in AC&C’s internal control structure include:

- Cashiers maintain custody of the cash drawer keys, keeping them on their person during shift and taking them home after work. No tracking mechanism is in place to ensure an inventory of cash register keys.
- System edit features requiring supervisor override for voids, refunds, and reduced fee transactions are currently disabled.
- Business Office Managers do not document change fund reviews and monitoring practices.
- Until recently, bank, credit card, and telecheck fees were not fully and consistently recorded with the Treasurer. Cash transmittals prepared to record these types of fees were often prepared before bank statements were received.
- AC&C has not reconciled the depository account to the Treasurer’s account (book to bank balance), and does not routinely confirm Treasurer’s office records to the cash receipt transmittals.
- Reconciliations throughout the cash receipt/revenue recognition cycle are not completed.

Negative Impact

Gaps identified in the cash receipt/revenue recognition cycle increase risk that:

- Unauthorized personnel may obtain access to cash receipts
- Void or refund transactions may be processed without supervisory approval
- Change funds may be lost or misappropriated
- Revenues and expenditures may be misstated

Recommendation

AC&C should incorporate key internal controls as recommended in the AC&C Depository Account Audit dated November 24, 2003 into their present Finance and Business Office policies and procedures.

Issue 5 Performance Measure Certification

Summary

Three out of five (60%) AC&C Managing for Results measures tested were reported “Not Certified.” Without accurate and available performance measure data, the department cannot determine if objectives have been met. AC&C should develop written procedures for collecting, reporting, and validating key performance measures.

The following table summarizes test results for five key AC&C performance measures:

ANIMAL CARE & CONTROL Performance Measures Summary Table	Certified	Certified with Qualifications	Not Certified
1. Percent of dog licenses issued within 2 weeks (after receipt of completed application)	✓		
2. Percent of Maricopa County cities and towns satisfied with field enforcement services			✓
3. Percent of animals humanely sheltered			✓
4. Percent of animals receiving spay/neuter surgeries			✓
5. Percent of sheltered dogs and cats adopted	✓		

Key Measure #1: Percent of dog licenses issued within 2 weeks (after receipt of completed application).

Results: Certified

We validated the quarterly figures by reviewing AC&C’s process controls, verifying data used to report the quarterly statistics, and sampling AC&C’s source data to determine the accuracy of data

inclusions or exclusion from the reported figures. The following table shows the figures reported by the department and the accurate figures, as determined by our review of support documentation.

Measure #1	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
Reported	90%	92%	97%	None	N/A
Actual	N/A	N/A	97%	N/A	N/A

This measure represents the turn-around rate of licenses sent to customers from when the payment was received. Our review found adequate controls in place and accurate figures reported for the quarter tested. AC&C calculated all four measures correctly, however, they only reported three of the four quarters on the EBC (County intranet site). We rate this measure as certified because adequate procedures were in place to collect and report the data and reported measures were accurate.

Key Measure #2: Percent of Maricopa County cities and towns satisfied with field enforcement services.

Results: Not Certified

AC&C developed Intergovernmental Agreements (IGA's) with approximately 15 cities to provide animal control field services to contracted municipalities and unincorporated areas of Maricopa County. Key Measure #2 assesses the satisfaction level with field enforcement services. AC&C's reported responses were based on anecdotal telephone conversations with various IGA partners. AC&C does not maintain source documentation such as a data collection methodology, survey tool, or consistent application of key satisfaction definitions to validate this measure.

Measure #2	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
Reported	100%	100%	100%	100%	N/A
Actual	No Data Available	No Data Available	No Data Available	No Data Available	N/A

Key Measure #3: Percent of animals humanely sheltered.

Results: Not Certified

Data does not support the percentages reported. No written procedures exist to ensure the accuracy and reliability of this measure. The following table shows the figures reported by the department and the accurate figures, as determined by our review of support documentation.

Measure #3	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
Reported	99%	98%	96%	98%	None
Actual	85%	82%	83%	79%	82%

AC&C is charged with providing humane facilities and treatment for all animals housed so that pet guardians can adopt healthy, well-adjusted animals. The department measures humane sheltering by calculating the number of animals taken in through field services or over the counter subtracting the animals that must be euthanized due to illness contracted in the kennel, and dividing by the total number of animals sheltered. Our review found the numbers reported by AC&C are inaccurate, as they exceed the acceptable tolerance range of +/- 5 percent.

Key Measure #4: Percent of animals receiving spay/neuter surgeries.

Results: Not Certified

Data to support the reported measures was unavailable at the time of review. AC&C clinic staff did not consistently track all spay and neuter surgeries performed in the animal tracking program (Chameleon). AC&C did not report spay and neuter statistics for the 3rd and 4th quarters of FY 2003. At the time of review, AC&C clinic staff was preparing to manually load all spay and neuter surgeries from manually maintained files into their tracking system.

Measure #4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
Reported	21%	23%	None	None	N/A
Actual	No Data Available	No Data Available	No Data Available	No Data Available	N/A

Our review found the AC&C spay and neuter statistics to be inaccurate due to a failure to report all four quarters in FY 2003. AC&C's calculation method is inconsistent with the measure's definition. Approximately 60 percent of impounded animals are already sterilized and animals that are euthanized are not sterilized. This fact is not reflected in the equation and accounts for the comparatively low reported 1st and 2nd quarter rates.

Key Measure #5: Percent of sheltered dogs and cats adopted.

Results: Certified

This measure reports data quarterly and is used to determine how many AC&C animals are adopted from all three adoption facilities. We validated the data measurement figures by verifying AC&C sampling methodology, and sampling AC&C source data to determine the accuracy of data inclusions or exclusion from the reported figures. The following table shows the figures reported by the department and the accurate figures, as determined by our review of support documentation.

Measure #5	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
Reported	36%	40%	0	31%	N/A
Actual	36%	37%	38%	30%	N/A

Our review found adequate controls in place and accurate figures reported. AC&C did not report 3rd quarter measurements on the County intranet site (EBC), although it did correctly calculate all four quarters. We therefore categorize this measurement as certified.

Cause and Effect

AC&C performance measures were not available or accurate because written procedures for validating controls for collection, calculating, and reporting key performance measures are inadequate. Certification ratings of "Not Certified" question the reliability of reported key performance measures.

Recommendation

AC&C should:

- A. Develop written procedures for the collection, calculation, and reporting of all key performance measures.
- B. Develop appropriate controls for review, verification, and sign-off of reported key measures.

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Department Response

Issue #1: Fee Revenue

Animal Care & Control (AC&C) encourages adoption activity by extensively offering adoption fee discounts, however, these discounts decrease revenues. We estimate that if AC&C had allowed no discounts in FY2003, they could have collected up to \$500,000 more in revenue. Although some fee discounting is beneficial, AC&C needs to balance adoption incentives with revenue needs. Animal Care & Control should implement effective management controls over reduced fee transactions.

Response: Concur

A sliding scale was implemented which identifies animals by a variety of statuses. Highly desirable animals would be adopted out at a higher rate that would maximize departmental income. Some animals that are not easily adoptable would be adopted at a lower rate to encourage adoption vs. euthanasia. Animal Care & Control occasionally adjusts adoption fees for promotional purposes and at special times of the year (e.g. adopt-a-cat month, summer months). This adjustment is done only when trends and statistics determine it is necessary and financially feasible to do so. The Sr. Leadership team will make the determination of the amount and duration of the adjustment based on the analysis presented. The adjustment never is lower than the status 4-adoption fee (dog of the day 60.00 and cat of the day \$55.00). As the sliding scale program was implemented, we identified additional issues that needed to be addresses such as training, high turnover and database development. The program has since been streamlined and issues addressed that will correct the deficiencies noted in the audit report.

Recommendation A:

Update cashier level user profiles in Chameleon, requiring Supervisor override when altering standardized fee structures.

Response: Concur – will implement with modification

Initialize Chameleon Point of Purchase process with protected, preset, and itemized line item price points in the receipt screen. Price points are standardized. Animal status will not change. Supervisor override does not change the status of a pet.

Target Completion Date: July 1, 2004

Benefits/Costs: Standardized fee structures in addition to consistent animal evaluations will create controls in the database that can be checked and reconciled on a daily basis. Efficiency level will increase productivity and revenue.

Recommendation B:

Create a budget by location for reduced fee transactions

Response: Concur – with modification

Standardizing the pricing structure. Associates will not have the authority or capability to change price structure. Pricing will be determined when a status is assigned. Status pricing index: S1+= \$150.00 S1-S4 \$85.00 New validation: Dog of the day \$60.00 Cat of the day \$55.00.

Target Completion Date: July 1, 2004

Benefits/Costs: Consistent process at all locations. Increased customer service. Increased communication between departments. Standardized pricing structure will allow us to forecast revenue projections.

Recommendation C:

Create a by-location exception report for AC&C management showing reduced fee transactions in comparison with relative reduced fee budget.

Response: Concur – completed with modification.
Standardized price point structure. Exceptions to reduced fee no longer approved.

Target Completion Date: May 1, 2004.

Benefits/Costs: Controls will increase capability to forecast budget projections. Streamline process will increase frontline productivity.

Issue #2 Animal Disposition Statistics:

AC&C accurately reports animal disposition statistics when compared against information from the department's internal system. We noted minor discrepancies in reporting to outside agencies and the general public. Outdated or inaccurate disposition statistics do not properly represent the department's progress to County management and citizens. Animal Care & Control should update disposition information in its website and reconcile reporting to outside agencies against internal statistics.

Response: Concur
All internal and external reporting mechanisms (including website, kiosk and e-mail) will be coordinated in a standardized reporting structure so that all reporting mechanisms are reviewed for accuracy and checked for quality control before issuance/update in a timely manner.

Recommendation A: Update charts and statistics on its websites to reflect current operational results.

Response: Concur- in progress
Operations will reconcile data before information is published. Quality Reports will be run on a weekly basis prior to monthly status reports.

Target Completion Date: July 1, 2004

Benefits/Costs: Increase quality control functions.

Recommendation B: Reconcile all reporting to outside agencies against internal animal tracking system (Chameleon) reports to ensure accuracy and consistency.

Response: Concur – in progress
Operational managers will utilize established Q & A reports in the Chameleon System to ensure accuracy and consistency.

Target Completion Date: June 1, 2004

Benefits/Costs: Consistent reporting structure to internal and external customers. Accounting stream to ensure accurate reports are submitted. Alignment to MFR and strategic plan.

Issue #3: Medical and Office Supply Inventories

AC&C's procurement controls are not sufficient to ensure that office and medical supplies are actually received and that amounts charged are accurate. As a result, FY2003 clinic and office supply expenditures were over budget by approximately \$350,000. Animal Care & Control should strengthen controls over these areas.

Response: Concur

Under past leadership, Operational Managers were not required to exercise necessary control over inventories and procurement. P- cards (purchasing cards) allowed office supplies to be purchased outside the budget process. When the procurement process was centralized with the Controller's division and a procurement position was instituted in the department, oversight over procurement and inventory issues became an integral part of financial and administrative oversight. Only one p-card per fund is in use with strict controls and are approved through administration before use

Budget appropriations for vaccine purchases were not adequate to sustain the level necessary for the animals being received annually within the department. This was discussed with the Office of Management and Budget and has been addressed in the AC&C FY2005 budget.

Recommendation A: Centralize inventory and procurement ensuring that quantities ordered are in line with historic needs.

Response: Concur – completed

Complete inventory was taken of clinic and shelter medical supplies and new inventory process established. Office supplies have been inventoried and centralized for accurate allocation to departments and reorder points.

Target Completion Date: 12/31/03

Benefits/Costs: Increase inventory accuracy and efficiency. Maintain expenditures within budget

Recommendation B: Ensure that all bills are sent directly to the Controller's Office and collapse all multi-account vendors into a single account.

Response: Concur – in progress

Letters had been sent to vendor with new contact and address in 12/2003. These letters will be updated and resent for vendor verification and notification. Vendor's accounts have been collapsed when efficient to do so.

Target Completion Date: 7/1/2004

Benefits/Costs: Establish accurate receipt of goods and invoice payment. Eliminate discrepancies.

Recommendation C: Develop procedures ensuring that all invoices are paid timely, and that finance charges are not incurred.

Response: Concur – Completed

Target Completion Date: 6/30/2004

A worksheet is maintained for vendor tracking from order through warrant payment. Controller will verify outstanding vendor payments monthly to ensure payments are made on time and within discount period (if applicable).

Benefits/Costs: Eliminate finance costs and maintain vendor relationships

Recommendation D: Maintain budget to actual expenditure integrity by ensuring that all medical and office expenditures are properly allocated to the correct accounting codes.

Response: Concur – in progress

Majority of expenditures are paid through purchase orders so beginning of the year accounting strings will be verified for accuracy.

Target Completion Date: 7/1/2004

Benefits/Costs: Accurate budget /actual accounting statements.

Issue #4: Cash and Revenue Controls

AC&C cash and revenue reporting procedures contain significant internal control weaknesses. These control weaknesses increase the risk that department assets may be misused, or that revenues may be incorrectly reported. AC&C should incorporate key internal controls into its Finance and Business Office policies and procedures.

Response: Concur

Procedure changes and implementation of previous audit recommendations (1998) were not completed. Significant internal control weaknesses continued through the change in finance personnel within the department over a period of years. Monthly closing checklists, reconciliations, system changes, revised policies and procedures and additional training are being instituted to correct and maintain the internal control weaknesses identified in the audit.

Recommendation

AC&C should incorporate key internal controls as recommended in Appendix A into their present Business and Finance Office policies and procedures.

Response: Concur

Recommendations from the KPMG depository account audit have been implemented into department process. New procedures are being updated to reflect changes. Training will accommodate these changes.

Target Completion Date: In progress, July 1, 2004

Benefits/Costs: Cash and revenue will be posted on a timely basis. All expenses related to bank charges will be posted on a timely basis. Revenue forecasts will be increasingly more accurate.

Issue #5: Performance Measure Certification

Three out of five (60%) AC&C MFR measures tested were reported, “not certified” Without accurate and available performance measure data, and the department cannot determine if objectives have been met. AC&C should develop written procedures for collecting, reporting, and validating key performance measures.

Response: Concur

The entire MFR structure has been updated and changed. Activities to accommodate the services performed have produced a new family of measures that are better able to be collected and will accurately reflect the department’s accomplishments

Recommendation A: Develop written procedures for the collection, calculation and reporting of all key performance measures.

Response: Concur – in progress

AC&C has developed an updated MFR structure under the direction of the Office of Management and Budget. New performance measures have been incorporated into the updated activities. These measures will have written procedures developed for collection, reporting and validation.

Target Completion Date: 12/31/2004

Benefits/Costs: Correct and Verifiable measurements to support department activities.

Recommendation B: Develop appropriate controls for review, verification, and sign-off of reported key measures

Response: Concur – in process

A Management for Results coordinator has been appointed and controls for review, verification and sign-off are being developed.

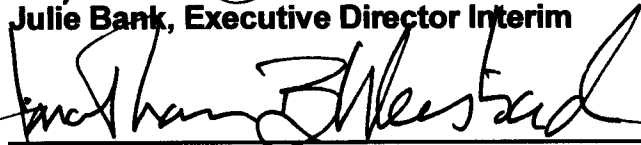
Approved By :



Julie Bank, Executive Director Interim

5/25/04

Date



Jonathan B. Weisbuch, MD, PHD Chief Officer

5/25/04

Date



David R. Smith, County Administrative Officer

6/7/04

Date