

# **Audit of Animal Services Trust Fund**

**Report by the  
Office of County Comptroller**

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**Report No. 395  
December 2008**

## TABLE OF CONTENTS

Transmittal Letter .....	1
Executive Summary .....	2
Action Plan .....	5
Introduction .....	9
Background .....	10
Scope, Objectives, and Methodology .....	10
Overall Evaluation .....	13
Recommendations for Improvement .....	14
1. Current Management and the Animal Services Advisory Board Should Continue their Efforts To Achieve the Objective of the Trust Fund .....	15
2. Appropriate Procedures Should Be Established To Ensure Approved Expenditures Are Charged To the Trust Fund.....	17
3. The Animal Services Division Should Comply With Requirements of Animal Services Resolution No. 2005-M-17 .....	18
4. The Administration and Use of Surcharge Funds Should Be Improved .....	19
5. A Formal Process Should Be Established for the Approval of Expenditures From the Trust Fund.....	22
6. Formal Reports on the Activities of the Trust Fund Should Be Provided to the ASAB on a Regular Basis.....	23
7. Controls over the Distribution and Sale of Calendars Should Be Improved .....	24
8. The Method of Submitting Adopter Information Should Be Evaluated .....	27
9. Reward Payments Should Be Periodically Reconciled with the Number of Cats Adopted .....	29
10. Controls over the Animal Services Computer Application Need Improvement .....	31

December 11, 2008

Richard T. Crotty, County Mayor  
And  
Board of County Commissioners

We have conducted an audit of the Animal Services Trust Fund. The audit included a review of revenues and expenditures of the Trust Fund and the related controls. The period audited was October 1, 2004 through September 30, 2007.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Responses to our Recommendations for Improvement were received from the Manager of the Animal Services Division and are incorporated herein.

We appreciate the cooperation of the personnel of the Animal Services Division during the course of the audit.

Martha O. Haynie, CPA  
County Comptroller

c: Ajit Lalchandani, County Administrator  
Melvin Pittman, Director, Community and Environmental Services Department  
Katherine Lockett, Manager, Animal Services Division

# EXECUTIVE SUMMARY

## Executive Summary

We conducted a review of revenue and expenditures of the Animal Services Trust Fund (Trust Fund) and the related financial controls. The audit period was October 1, 2004 to September 30, 2007. In addition, certain matters occurring prior to and after the end of the audit period were reviewed. The objectives of the review were to determine the following:

- Expenditures from the Trust Fund were adequately supported and properly approved,
- Goods and services acquired were in compliance with Section 5-47, County Code; and,
- Financial controls were adequate to ensure all donations and other receipts intended for the Trust Fund were collected and properly applied to the Trust Fund account.

Based on the testing performed, expenditures from the Trust Fund were adequately supported and properly approved; however, goods and services acquired did not materially comply with section 5-47, County Code. In our opinion, controls were not adequate to ensure all donations and other receipts intended for the Trust Fund were collected and properly applied to the Trust Fund. Specifically, we noted the following:

During the past five fiscal years (2003 through 2007) no expenditures were made from the Trust Fund for the care and welfare of animals during this period. Accumulating the balance from year-to-year does not appear to be the intent of the provision in the County Code that requires the fund be used for the care and treatment of animals. Beginning in fiscal year 2007, the Animal Services Division (Division) began to initiate some projects and based upon our discussions with current management, we are confident that the Division is continuing to develop and finalize more programs for the utilization of the Trust Fund in accordance with the provisions of County Code.

We noted an instance where an expenditure of \$2,190 that should have been paid from the Trust Fund was incorrectly paid from the general fund.

Fees for services provided by the Division have not been reviewed for possible adjustments since their establishment in Animal Services Resolution No. 2005-M17 on July 12, 2005.

The Division spent approximately \$6,000 from surcharges (levied on fines for violations of the Animal Control Ordinance) for the training of personnel not allowed under Florida Statutes. In addition, the Division did not have an effective method to track the surcharge balances.

There appears to be some ambiguity regarding the required approval process for expenditures from the Trust Fund. Further, there is no written policy regarding the approval process that should be utilized.

The Division did not provide periodic or regular reports to the Animal Services Advisory Board of the activities (receipts, expenditures, and the balance of monies) in the Trust Fund.

Monies from the sale of pet calendars produced by Division staff were not adequately tracked and reconciled.

Division procedures to prepare and forward information on pet ownership as part of a Shelter Feeding Program Partnership with a pet food company were not adequate to maximize the amount of potential revenue.

Adoption fees under a written agreement with a pet store's charity program were not adequately reconciled to ensure all monies were received.

Information system access controls related to the Division's computer program were not adequate.

The Division concurred with all of the Recommendations for Improvement and noted that steps to improve their procedures and compliance were either completed, underway, or planned.

# ACTION PLAN

**AUDIT OF ANIMAL SERVICES TRUST FUND  
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
		1.	We recommend the Division, together with the ASAB, continues their efforts to identify appropriate projects for funding from the Trust Fund.	✓		
2.	We recommend the Division develops and implements written procedures to ensure that approved Trust Fund expenditures are actually charged to the Fund. These procedures should be in writing.	✓			✓	
3.	We recommend the Division complies with the requirements of Animal Services Resolution No. 2005-M-17 and appropriately adjusts all fees. Alternatively, the Division could review the fees and fines charged and the various costs to provide such services and propose applicable changes to the Resolution.	✓			<b>Completed</b>	
4.	We recommend the Division performs the following:					
A)	Ensures that proceeds of surcharges are used to only pay travel and training expenses for animal control officers;	✓			✓	
B)	Requests the Clerk of the Court to provide a monthly listing, or a copy of each remittance transmittal, showing the cases for which surcharges were collected and amount remitted to the Comptroller's Office;	✓			✓	
C)	Obtains periodic reports to show amounts of surcharges applied to the Trust Fund by the Comptroller's Office; and,	✓			✓	
D)	Reconciles, on a periodic basis, the amounts noted on the remittance statement from the Clerk of the Court with the amounts credited to the Trust Fund.	✓			✓	



**AUDIT OF ANIMAL SERVICES TRUST FUND  
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
		5.	We recommend the Division establishes the following:			
A)	A formal disbursement/expenditures approval process at least as restrictive as the County's procurement policy; and,	✓			✓	
B)	Written guidelines as to which expenditures are required to be approved by the ASAB.	✓			✓	
6.	We recommend the Division provides the ASAB periodic reports on the Trust Fund Activities.	✓			Completed	
7.	We recommend the Division evaluates the creation and distribution of calendars for appropriateness. If the creation and distribution is to continue, the Division should perform the following:	✓			✓	
A)	Establish an appropriate system to track sales and other distribution of the calendars;	✓				✓
B)	Ensure Division customer service representatives properly account for calendars and sale proceeds;	✓				✓
C)	Perform periodic reconciliation of the quantities sold, distributed free, and on hand;	✓				✓
D)	Obtain permission from the County Administrator for the distribution of free copies to County employees and the application of proceeds of sales to the Trust Fund; and,	✓				✓
E)	Establish a policy as to who should be given free copies for promotional purposes and ensure only authorized personnel handle these distributions.	✓				✓
8.	We recommend the Division performs the following:					
A)	Evaluates the feasibility of submitting the adopter information in the electronic format from the Divisions computer database;	✓			✓	

**AUDIT OF ANIMAL SERVICES TRUST FUND  
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
		8. B)	Ensures that adopter information is submitted for all adoptions and fosters. This would involve keeping a record of the number of adoption notices provided to the company and comparing it to the number of adoptions; and,	✓		
C)	Periodically reviews the incentive payments to ensure that the number of cards submitted each month is materially reflected in the incentive payment.	✓			✓	
9.	We recommend the Division performs the following:					
A)	Periodically reconciles the reward amounts received from the pet store with the number of cats adopted through them; and,	✓			✓	
B)	Maintains the log of cats delivered to the pet store in accordance with the County record's retention policy.	✓			<b>Completed</b>	
10.	We recommend the Division performs the following:					
A)	Timely removes privileges of terminated and re-assigned employees;	✓			✓	
B)	Promptly removes outdated group assignments from the system;	✓			✓	
C)	Assigns application privileges, whenever possible, by groups; therefore, assigning application privileges to individual users should be minimized. The current groups should be analyzed to determine whether they provide appropriate access levels and that their membership is accurate; and,	✓			✓	
D)	Distributes periodic reminders to Animal Services application users to remind them to manually change their passwords.	✓			✓	

# INTRODUCTION

**Background**

The Animal Services Division (Division) provides critical services for the protection of the health and safety of Orange County citizens and its pet population. The Division's duties include enforcing County laws and regulations relating to animal control, rescuing mistreated animals, adoption, humanely euthanizing animals that are not reclaimed or adopted, providing low-cost spay/neuter services, and pet education programs. The Division is part of the Community and Environmental Services Department.

The Animal Services Ordinance No. 91-08, adopted April 2, 1991, created the Animal Services Trust Fund (Trust Fund) for the purpose of accepting contributions and disbursing funds to the Animal Services Division for the care and welfare of animals. The Ordinance was codified in Section 5-47, Orange County Code.

The primary sources of funds for the Trust Fund are donations from private citizens and corporations as well as a surcharge of five dollars on each citation issued by the Division. Included among the corporate donors is a pet food company that provides free pet food to the Division with only a charge for the delivery. In addition, the pet food donor provides a rebate of the food transportation costs based upon certain pet adopter information that is provided by the Animal Services Division. Citations are issued by Animal Control Officers in accordance with Section 5-31 of the Orange County Code to individuals who violate the Animal Control Ordinance. Fines for such violations are applied in accordance with Section 5-50 of the Orange County Code. The surcharge is authorized by Section 828.27, Florida Statutes and Section 5-52, Orange County Code.

During the last five fiscal years (2003 to 2007), The Trust Fund balance has increased from approximately \$24,000 to \$140,000.

**Scope, Objectives,  
and Methodology**

The scope of the audit included a review of revenue and expenditures of the Trust Fund and the related financial controls. The audit period was October 1, 2004 to

September 30, 2007. In addition, certain matters occurring after the end of the audit period were reviewed.

The audit objectives were to determine the following:

- Whether expenditures from the Trust Fund were adequately supported and properly approved,
- Whether goods and services acquired were in compliance with Section 5-47, County Code; and,
- Whether financial controls were adequate to ensure all donations and other receipts intended for the Trust Fund were collected and properly applied to the Trust Fund account.

To accomplish these objectives, we performed the following:

- A) For expenditures, we obtained a schedule of all expenditure items from the Trust Fund during the audit period and, due to the limited number of items, selected all of the payments for examination. Our preliminary examination showed that all expenditures related to travel and training. As a consequence, we performed the following:
- 1) Verified that each payment was supported by a Travel Request/Reimbursement Form signed by the traveler, Division Manager, and Department Director;
  - 2) Determined that each travel/training event was properly approved;
  - 3) Reviewed the form for reasonableness of the expected travel related costs;
  - 4) Verified that the travel/training was for animal control officers only;
  - 5) Determined that each travel reimbursement form was supported with adequate

- documentation for the expenses listed on the authorization form;
- 6) Determined that any prepaid travel expense was noted on the reimbursement form and properly reimbursed; and,
  - 7) Determined that the reimbursement form was submitted in a timely manner.
- B) For donations and other revenue sources, we performed the following:
- 1) Assessed the adequacy of internal controls by reviewing policies and procedures, conducting interviews with managerial and line staff, completing internal control questionnaires, performing transaction walk-throughs of the various systems in place, and documenting the various operational processes and systems.
  - 2) Performed a risk analysis of the various functional areas involved in revenue generation and collection for the Trust Fund.
  - 3) Obtained schedules of all recorded cat adoptions made through a local pet store that the Division contracts with for cat adoptions. We reconciled this schedule to the donations received from this store, which are based upon the number of cats adopted.
  - 4) Obtained schedules of all recorded citations issued during the audit period as well as the amount of recorded surcharges received. These lists were reconciled for reasonableness of surcharges received as compared to citations issued.
  - 5) Generated a schedule of all recorded rebate and donation checks received from the pet

food provider and verified that the monies were credited to the Trust Fund.

- 6) Generated a report of all recorded pet calendar sales for each fiscal year and compared totals to printing costs to determine the cost per calendar. Attempted to determine the total number of calendars not recorded as sold.

As noted above, various reports were used from the Animal Services computer application. To assist in verifying the accuracy of the data contained in the system, a limited end-user access review was performed. The end-user access review was limited to determining the level of assurance that could be placed on the analysis of data that was extracted from the application. Application features relating to financial transactions, the assignment of privileges, and those features that may have a significant impact to the system were of primary focus. This review did not include a determination of risk associated with the 67 application features available within the system. A complete review of the computer application was not conducted and, as such, the adequacy of the system, and related application and system controls were not reviewed.

## **Overall Evaluation**

Based on the testing performed, expenditures from the Trust Fund were adequately supported and properly approved; however, goods and services acquired did not materially comply with section 5-47, County Code.

In our opinion, controls were not adequate to ensure all donations and other receipts intended for the Trust Fund were collected and properly applied to the Trust Fund.

# RECOMMENDATIONS FOR IMPROVEMENT



**1. Current Management and the Animal Services Advisory Board Should Continue their Efforts To Achieve the Objective of the Trust Fund**

During the past five fiscal years, 2003 through 2007, the Trust Fund balance increased from approximately \$24,000 to \$141,000 due mainly to public donations, surcharges on fines, calendar sales, and some interest income. However, except for certain travel and training expenditures, no expenditures were made from the Trust Fund for the care and welfare of animals during this period. Section 5-47, Orange County Code states,

There is hereby created a county animal services Trust Fund account for the purpose of accepting contributions and disbursing funds to animal services for the care and treatment of animals.

From a review of the Animal Services Advisory Board (ASAB) minutes, emails and conversations with staff, it appears that the monies were not spent because there was discord among the ASAB members with respect to what projects should be funded by the Trust Funds. In addition, it appears that the Division was not effective in developing and finalizing sufficient eligible proposals for use of the Trust Funds prior to fiscal year 2006. Since then, efforts to utilize Trust Fund monies included the following:

- A) In fiscal year 2006, a project to staff and operate a spay/neuter bus that would have involved an estimated expenditure of \$30,000 from the Trust Fund was put out to bid. One bidder was accepted as responsive by the County's Purchasing and Contracts Division; however, the Division was unable to finalize the terms of a contract and the project was not re-bid.
- B) In fiscal year 2007, the Division and the ASAB were successful in developing and implementing the following:
  - A one day High Volume Spay/Neuter Event that resulted in a potential charge of \$2,190 but

## RECOMMENDATIONS FOR IMPROVEMENT

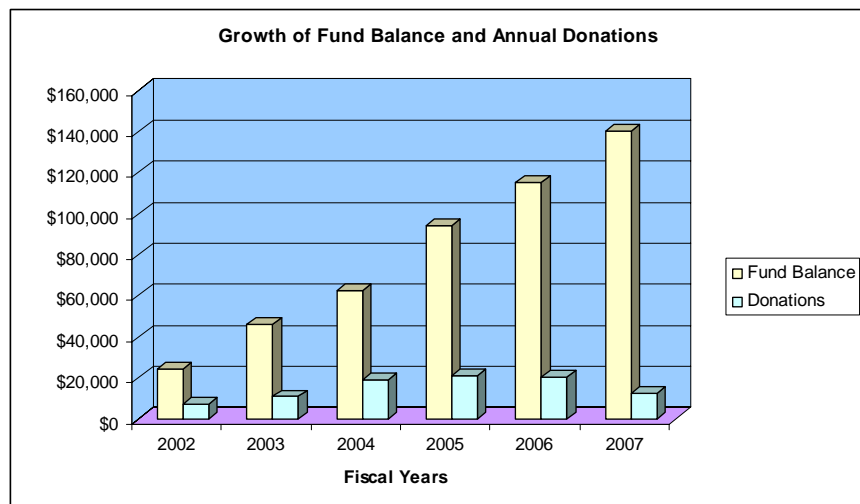


this was incorrectly paid from the general fund (See Recommendation No. 2).

- An Animal Services Trust Fund Community Grants program for community groups to finance projects that relate to spay/neuter, microchipping, or education on responsible pet ownership. Grants are to range from \$500 to \$2,000 under a total funding limit of \$10,000 on a first-come first-served basis. Two projects totaling approximately \$3,000 were approved. Invoices for these two projects were received and approved for payment in February 2008.

- C) A Humane Society of the United States – Shelter Evaluation which is anticipated to cost between \$15,000 and \$25,000 was also proposed in fiscal year 2007, but deferred until the completion of the Goldenrod shelter.

Accumulating the balance from year-to-year does not appear to be the intent of the provision in the County Code that requires the fund be used for the care and treatment of animals. Not spending the Trust Fund monies may have partially accounted for the decline in donations as shown below:



As noted from this record of donations and growth of fund balance, the rate of growth for donations slowed and peaked in fiscal year 2005, then decreased in fiscal year 2006 with a significant decline in fiscal year 2007. Utilization of the donations to accomplish projects could have stimulated additional and continued growth in donations to the Trust Fund.

Based upon our discussions with current management and a review of documents supporting current proposed ideas, the Division is continuing to develop and finalize more programs for the utilization of the Trust Fund in accordance with the provisions of Section 5-47, Orange County Code.

**We Recommend** the Division, together with the ASAB, continues efforts to identify and implement appropriate projects for funding from the Trust Fund.

**Management's Response:**

The Division concurs with the recommendation, which is underway. The Division is proposing expenditures of Trust Fund money for several programs including those formerly funded by the ReNew program grant. Once these programs are reviewed by the ASAB, the Division will seek the County Administrator's approval for disbursement and expenditure.

**2. Appropriate Procedures Should Be Established To Ensure Approved Expenditures Are Charged To the Trust Fund**

On October 17, 2006, the ASAB recommended and the County Administrator later approved expenditures of up to \$5,000 to procure extra supplies for an anticipated high volume spay/neuter event on November 05, 2006. During an update to the ASAB on November 21, 2006, the Division informed the ASAB that the actual Trust Fund expenditures for the supplies were \$2,190. However, the Division ultimately charged the amount to the County's General Fund instead of the Trust Fund. Approved expenditures should be applied to the Trust Fund account; not doing so diminishes

efforts to comply with the provisions of Section 5-47, Orange County Code. Written procedures would have helped to ensure compliance with the provisions of the Ordinance.

**We Recommend** the Division develops and implements written procedures to ensure that approved Trust Fund expenditures are actually charged to the Fund. These procedures should be in writing.

**Management's Response:**

The Division concurs with the recommendation, which is underway. Since Section 5-47(c) of the Code requires surcharges to be deposited into the Trust Fund, the Division intends to research an alternative method for segregation of donations from surcharges. A goal is to create a new fund for donations from which to pay for Animal Services Advisory Board (hereinafter referred to as "ASAB")/Division-related projects. This would ensure expenditures from the appropriate source.

**3. The Animal Services Division Should Comply With Requirements of Animal Services Resolution No. 2005-M-17**

Fees for services provided by the Division have not been increased since their establishment in Animal Services Resolution No. 2005-M-17 on July 12, 2005. According to Section 12 of the resolution,

Each and all fees set forth in Sections 1, 3, 4, 6, 7, 8 and 10 of this resolution shall increase October 1, 2006, and each year thereafter on October 1, by three percent (3%) or the Consumer Price Index-All Urban Consumers, whichever is lower, provided, specifically, that said fee payment will be rounded to the nearest whole dollar amount for a particular year.

These fees include impoundment and boarding, dangerous and potentially dangerous dogs, disposal/euthanasia,

veterinary and additional medical services, registration, traps, violations, and penalties. Fees for these services range from \$10 for daily boarding to \$500 for a dangerous dog fine.

**We Recommend** the Division complies with the requirements of Animal Services Resolution No. 2005-M-17 and appropriately adjusts all fees. Alternatively, the Division could review the fees and fines charged and the various costs to provide such services and propose applicable changes to the Resolution.

**Management's Response:**

The Division concurs with this recommendation and shortly after receiving the same, it conferred with the Office of Management and Budget. The Division was not aware until the end of September 2008 that the fee increases would become effective as of October 1, 2008. The Division opted to provide at least 30 days notice of the fee increases and only began posting that notice on October 6, 2008; thus, it will impose the increased charges effective on November 6, 2008.

**4. The Administration and Use of Surcharge Funds Should Be Improved**

The Division's Animal Control Officers issue citations to people who violate the Animal Control Ordinance. In addition to a civil fine, the Division levies a surcharge of \$5 on each citation issued. Section 828.27(4)(b), Florida Statutes allows the County to impose this surcharge, "...upon each civil penalty imposed for violation of an ordinance relating to animal control or cruelty. The proceeds from such surcharges shall be used to pay the costs of training for animal control officers." The surcharge is collected by Clerk of the Courts when the fine is paid.

The Statute defines an "Animal Control Officer" as "any person employed or appointed by a county or municipality who is authorized to investigate, on public or private

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## RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Animal Services  
Trust Fund

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property, civil infractions relating to animal control or cruelty and to issue citations as provided in this section.”

Regarding this surcharge, we noted the following concerns:

- A) During the period October 1, 2005 to September 30, 2006, the Division spent approximately \$6,000 from proceeds of surcharges in the Trust Fund for the training of employees who were not animal control officers. A total of approximately \$8,000 was spent during the same period to pay travel and training expenses for seven Animal Services employees. However, five of the seven employees were not animal control officers. For example, the Division paid \$2,500 to provide two and a half days of computer operating software training to the Business Systems Analyst and \$822 for the Veterinarian Program Coordinator to attend a national conference on animals in a disaster area. These employees were not authorized to perform duties of an animal control officer.
  
- B) The Division does not track the surcharges that are remitted by the Clerk of the Court to the Comptroller’s Finance and Accounting Department cashiers for deposit into the Trust Fund. Neither the Clerk of Court nor the Comptroller’s Office provides the Division with any detailed information (date received, remitter, case no., amount, etc.). As a result, the Division does not know if surcharges are being collected or whether the amounts are being credited to the Trust Fund. Once the citation is issued, it is up to the County Court to enforce collection. However, the Division should attempt to obtain information from the Clerk of Court as to the surcharges collected and remitted for deposit. The Division should then obtain periodic reports of the amounts applied to the Trust Fund and reconcile these amounts with the remittances made by the Clerk of Court. Total surcharges credited to the Trust Fund during fiscal 2006 and 2007 were \$4,759 and \$5,528, respectively.

**We Recommend** the Division performs the following:

- A) Ensures that proceeds of surcharges are used to only pay travel and training expenses for animal control officers;
- B) Requests the Clerk of the Court to provide a monthly listing, or a copy of each remittance transmittal, showing the cases for which surcharges were collected and amount remitted to the Comptroller's Office;
- C) Obtains periodic reports to show amounts of surcharges applied to the Trust Fund by the Comptroller's Office; and,
- D) Reconciles, on a periodic basis, the amounts noted on the remittance statement from the Clerk of the Court with the amounts credited to the Trust Fund.

**Management's Response:**

The Division concurs with the recommendations.

- A) Underway: Since the hiring of a new Division Manager, the Division has not been using Trust Fund dollars to pay for certification/training sessions; rather, it has been using its general fund money. However, pursuant to Florida Statutes Section 828.27(4)(b), the Division intends to return to its practice of using Trust Fund dollars to pay for Animal Services Officers' certification training classes.
- B) Underway: The Clerk of Courts Office has been contacted to determine if a monthly report can be generated and to the extent possible, the Division will dedicate staff to implement this recommendation.
- C) Underway: Since the arrival of a new Division (fiscal) Program Manager in the beginning of fiscal year 2008, the Division has been creating reports to track

surcharges from the County's Advantage Financial system.

- D) Underway: The Division intends to reconcile, on a periodic basis, the amounts noted on the remittance statement from the Clerk of the Court with the amounts credited to the Trust Fund.

**5. A Formal Process Should Be Established for the Approval of Expenditures From the Trust Fund**

There appears to be some ambiguity regarding the required approval process for expenditures from the Trust Fund. The current practice of the Division is to have all travel and training expenditures from surcharges approved by the Division Manager and the Department's Director. All other expenditures from the Trust Fund require the approval of the County Administrator. Section 5-47(h) of the County Code states,

Recommendations to the county for expenditures and disbursement of funds shall be made by the animal services board which, with the permission of the county administrator, may initiate and request funds from the public for a specific, approved project to enhance the welfare of animals in the county.

A careful reading of this paragraph seems to show that the permission of the County Administrator relates only to the request of "funds from the public..." or, at the very least, is confusing as to whether the County Administrator must approve the expenditure. As such, this paragraph does not clearly require the County Administrator to approve expenditures from the Trust Fund. Furthermore, Section 5-47(i), of the County Code stipulates that, "No trust fund monies shall be disbursed from the animal services trust fund account unless such expenditures have been authorized," but the Code does not state by whom.

In response to a previous question, the County Attorney's Office opined the Ordinance does not state that authorization



for all expenditures from the fund must go through the advisory board.

We are in agreement with the opinion that the Ordinance does not state that all expenditures must go through the ASAB. However, if this approach is taken, good controls require the Division establishes written guidelines as to the expenditure approval process. This should note the nature of the expenditures that should require approval from the ASAB. This policy should be at least as restrictive as the County's procurement policy.

Good controls require clearly written guidelines for authorization. Without these guidelines, it is more likely expenditures could be made without proper approval.

**We recommend** the Division establishes the following:

- A) A formal disbursement/expenditures approval process at least as restrictive as the County's procurement policy; and,
- B) Written guidelines as to which expenditures are required to be approved by the ASAB.

**Management's Response:**

The Division concurs with recommendations A and B. Underway. The Division concurs that the Ordinance does not state that all expenditures must go through the ASAB. The Division intends to establish clear, written guidelines consistent with the County's procurement policy and Administrative Regulations, which will be incorporated or referenced in the Division's Standard Operating Procedures.

**6. Formal Reports on the Activities of the Trust Fund Should Be Provided to the ASAB on a Regular Basis**

A review of the ASAB minutes for the period October 1, 2004 to January 31, 2008, disclosed that the Division does not

provide the ASAB with formal reports on Trust Fund activities (receipts, expenditures, and the fund balance) on a regular basis. Reports were provided only when requested by the ASAB. In addition, reports were not provided promptly after the ASAB requested the reports. A summary of activities in the Trust Fund was presented to the ASAB on April 18, 2006. However, another update was not provided until May 15, 2007, when copies of the 2005/2006 statements were provided after a request for an update was made on March 21, 2007. The ASAB again requested a simple report on the Trust Fund in their meeting of August 21, 2007, followed by a November 20, 2007, reminder of a request for comprehensive quarterly Trust Fund spreadsheet information. In response, only the fund balance was provided to the ASAB and this was done as part of the Division Manager's oral report on December 18, 2007. A summary of activities as well as significant events in the Trust Fund should be provided to the ASAB on a regular basis. Without such information, the ASAB may not be able to provide informed advice to the Division regarding expenditures from the Trust Fund.

**We Recommend** the Division provides the ASAB periodic reports on the Trust Fund Activities.

**Management's Response:**

The Division concurs and since approximately May 2008, the Division has provided the ASAB a monthly report of the Trust Fund balance and expenditures.

**7. Controls over the Distribution and Sale of Calendars Should Be Improved**

Each year, the Division has promoted its services by producing a pet calendar. The design for this year's (2008) calendars was done by the County's Graphics Division. The photography was donated by a professional company that photographed the animals in exchange for including a discount coupon in the calendar for their company. For calendar year 2008, the Division printed 500 calendars at a

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## RECOMMENDATIONS FOR IMPROVEMENT



cost of \$4,310 (printing costs only) which was charged to the Division's general fund account. We were informed that calendars were distributed, without charge and as a promotional tool for the Division's services to:

- Managers/Directors of Orange County
- Employees
- Rescue groups and foster parents
- Volunteers
- VIP media
- Award/campaign submissions
- The photographic firm
- Other miscellaneous promotions.

In addition, some calendars were sold to the public and other employees for \$10 each. Regarding the distribution and sale of these calendars, we have the following concerns:

- A) There was not a system in place to track the distribution and sale of the calendars. As a result, the Division is unable to show how many calendars were given out free to County employees or other entities for promotional purposes, and how many were sold. Therefore, it is not possible to reconcile the number of copies sold with sales receipts, as well as account for all copies printed each year.
- B) The proceeds of sales were deposited in the Trust Fund although the costs to produce the calendars were charged to the general fund. A computerized report from the accounting system identified only \$330 from calendar sales relating to the 2008 printing.

Good internal controls require the tracking of the distribution and sales of all calendars printed, proper accounting for all sale proceeds, and periodic reconciliation of quantities distributed free, sold, and on hand. In addition, the County Administrator should give authorization for the distribution of free copies to employees and the application of sale proceeds to the Trust Fund.

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## RECOMMENDATIONS FOR IMPROVEMENT



Management and supervisory oversight over the distribution and sale of the calendars is inadequate. As a result, there is no assurance that all free copies given out served a valid public purpose or that all sale proceeds were deposited.

**We Recommend** the Division evaluate the creation and distribution of calendars for appropriateness. If the creation and distribution is to continue, the Division should perform the following:

- A) Establish an appropriate system to track sales and other distribution of the calendars;
- B) Ensure Division customer service representatives properly account for calendars and sale proceeds;
- C) Perform periodic reconciliation of the quantities sold, distributed free, and on hand;
- D) Obtain permission from the County Administrator for the distribution of free copies to County employees and the application of proceeds of sales to the Trust Fund; and,
- E) Establish a policy as to who should be given free copies for promotional purposes and ensure only authorized personnel handle these distributions.

### **Management's Response:**

The Division concurs with recommendations A through E. The Division's calendar (Trust Fund) fundraising project is currently on hold and pending further review. Should the Division decide to continue this project, it will consider implementation of the following recommendations:

- A) Pending: Establish an appropriate system to track sales and other distribution of the calendars;
- B) Pending: Ensure Division customer service representatives properly account for calendars and sale proceeds;

- C) Pending: Perform periodic reconciliation of the quantities sold, distributed free, and on hand;
- D) Pending: Obtain permission from the County Administrator for the distribution of free copies to County employees and the application of proceeds of sales to the Trust Fund; and,
- E) Pending: Establish a policy as to who should be given free copies for promotional purposes and ensures only authorized personnel handle these distributions.

**8. The Method of Submitting Adopter Information Should Be Evaluated**

The Division has a written contract with its pet food provider (Provider) under a shelter feeding program partnership. The parameters of this program are as follows:

- Pet food products are provided free to feed all dogs and cats cared for by the shelter. The Division pays the Provider shipping and handling charges of 25 cents per pound for the pet food.
- The Division agrees to provide each person that adopts a cat or dog one small trial bag of the Provider's pet food. This trial bag of pet food is also provided free to the Division for this purpose.
- The Division returns information on the person adopting the animal on a monthly basis. This information includes the name, address, e-mail, and phone number of the adopter and particulars of the pet adopted such as, name, date of birth, date adopted, species, and breed.
- The Division is eligible for an incentive based upon the performance criteria detailed in the contract. The performance criteria include, among other criteria, the number of adopter names submitted and submission format (electronically or on adopter cards). Based

upon the points earned for the level of performance achieved, a rebate (ranging from 5 to 10 cents per pound) of the 25 cents per pound shipping and handling charges is refunded to the Division by the Provider.

Department guidelines require the completion of a card for each adoption. However, no record is kept of the number of adopter cards completed each day. Cards are filled out and placed in a common envelope until the envelope is cleared and the cards sent to the Provider at the end of each month. In addition, we were informed by staff that cards are not always completed for all adoptions and fosters that are given the complimentary bags of pet food. Further, we noted that no record is kept of the number of cards sent to the company each month. As a result, there is no assurance that the Division is maximizing its incentive potential. Incentive payments were received twice during fiscal year 2007. These payments totaled approximately \$1,700.

Subsequent to the audit period, effective April 1, 2008, the shipping and handling costs were increased by ten cents from 25 to 35 cents and the rebate up to 20 cents per pound.

**We Recommend** the Division performs the following:

- A) Evaluates the feasibility of submitting the adopter information in the electronic format from the Divisions computer database;
- B) Ensures that adopter information is submitted for all adoptions and fosters. This would involve keeping a record of the number of adoption notices provided to the company and comparing it to the number of adoptions; and,
- C) Periodically reviews the incentive payments to ensure that the number of cards submitted each month is materially reflected in the incentive payment.

**Management's Response:**

The Division concurs with recommendations A, B, and C. Clearly, our goal is to increase the number of adoptions, which would then increase the number of adoption submittals to the food provider. On September 28, 2008, the Division upgraded its major database, Chameleon. The upgrade will assist in streamlining and implementing the following recommendations:

- A) Underway: Evaluate the feasibility of submitting the adopter information in the electronic format from the Division's computer database;
- B) Underway: Ensure that adopter information is submitted for all adoptions and fosters. This involves keeping a record of the number of adoption notices provided to the company and comparing it to the number of adoptions; and,
- C) Underway: The Division periodically reviews the incentive payments to ensure that the number of cards submitted each month is materially reflected in the incentive payment.

**9. Reward Payments Should Be Periodically Reconciled with the Number of Cats Adopted**

Under a written agreement with a pet store's charity program, the Division provides the pet store with cats for adoption twice each week. The pet store cares for the cats until they are adopted by individuals. The pet store also handles the adoption process and collects the adoption fees. The adoption fees are remitted to the Division's representation with each delivery of cats. Also, under its rewards program, the pet store's affiliated charity donates \$5 to the Trust Fund for each cat that is adopted from the store. This averages approximately \$300 per quarter; however, the Division does not reconcile the amount received with the number of cats adopted through the pet store. In addition, although a log is currently maintained for the cats delivered

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## RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Animal Services  
Trust Fund

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to the pet store, the old portion of the log is discarded periodically. As a result, there is no assurance that the amounts received reflect the number of cat adoptions.

**We Recommend** the Division performs the following:

- A) Periodically reconciles the reward amounts received from the pet store with the number of cats adopted through them; and,
- B) Maintains the log of cats delivered to the pet store in accordance with the County record's retention policy.

**Management's Response:**

The Division concurs with recommendations A and B. Upon the Division learning that a staff member discarded the log referenced in the audit report, the Division Manager contacted the County Attorney's Office to schedule a Division-wide training regarding public records and the County's document retention policies. The Division's current database, Chameleon, contains all data on an animal's location and disposition. For instance, within a Chameleon field, an animal being transported to the pet store will have as its location "Satellite"; the subsequent adoptions are also updated by the Division's Adoption Coordinator. The Division will implement recommendation A and continue to complete recommendation B.

- A) Underway: Periodically reconciles the reward amounts received from the pet store with the number of cats adopted through them; and,
- B) Done currently through Chameleon: Maintains the log of cats delivered to the pet store in accordance with County record's retention policy.



## **10. Controls over the Animal Services Computer Application Need Improvement**

As part of our testing, we reviewed data related to end-user access. As noted in the scope section of this report, the end-user access review was limited to determining the level of assurance that could be placed on any analysis of data that was extracted from the Animal Services computer application for review of the Animal Services Trust Fund. Access capabilities relating to financial transactions, the assignment of privileges, and those features that may have a significant impact to the system were of primary focus. This review did not include a determination of risk associated with the 67 application features available within the system. Relating to this review, we had the following concerns:

- A) Access permissions remained in effect after employees were terminated or re-assigned to positions that did not require system access. Privileges that were granted to application features that have financial, access control, or impact to system sequencing assignment controls were found in 33 percent (8 of 24) of the cases to be active for employees no longer working in the Division.
- B) A group consisted of only one member who was not even defined as a valid system user.
- C) Another group with two members has 22 application features granted through this group assignment. However, the Animal Services Business System Analyst permissions were granted individually, instead of through this group assignment.
- D) The animal services application does not force users to change passwords. The user is required to initiate a specialized command to invoke the process.

The timely and accurate maintenance of application access reduces inadvertent elevation of privileges from occurring and enhances segregation of duties controls, which in turn compliments both data accuracy and availability. Similarly,

password security is enhanced by periodic changes that guard against or limits exposure from compromised passwords.

**We Recommend** the Division performs the following:

- A) Timely removes privileges of terminated and re-assigned employees;
- B) Promptly removes outdated group assignments from the system;
- C) Assigns application privileges, whenever possible, by groups; therefore, assigning application privileges to individual users should be minimized. The current groups should be analyzed to determine whether they provide appropriate access levels and that their membership is accurate; and,
- D) Distributes periodic reminders to Animal Services application users to remind them to manually change their passwords.

**Management's Response:**

The Division concurs with recommendations A through D. On September 28, 2008, the Division upgraded its Chameleon database and was moved onto a new server. Since receiving the audit findings under this paragraph, the Division has worked with County ISS to address the below recommendations:

- A) Underway: Privileges of terminated and re-assigned employees should be timely removed;
- B) Underway: Outdated group assignments should be promptly removed from the system;
- C) Underway: The assignment of application privileges should, whenever possible be through the use of groups; therefore assigning application privileges to individual users should be minimized. The current

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## RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Animal Services  
Trust Fund

---

groups should be analyzed to determine whether they provide appropriate access levels and that their membership is accurate; and

- D) Underway: Periodic reminders should be distributed to Animal Services application users to remind them to manually change their passwords.