

Animal Care & Control Revenue Audit

August 13, 2004

Report #593

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EXECUTIVE SUMMARY

August 13, 2004

Report No. 593

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Animal Care & Control, a division of the Department of Neighborhoods, is responsible for the enforcement of Chapter 462 of the Jacksonville Municipal Code and various State Statutes that relate to domestic and companion animals. Animal Care & Control's daily activities include issuing citations to negligent pet owners, apprehending loose animals, providing temporary shelter to lost and unwanted animals, and placing animals through an adoption program. The Division's revenues consist of citation revenues, adoption and redemption fees, city licensing and rabies vaccination fees, and donations. For fiscal year 2002/03, Animal Care & Control's revenues and expenditures totaled \$166,101 and \$3,132,994, respectively. The Division's budgeted revenues and expenditures for fiscal year 2003/04 were \$224,310 and \$2,829,947, respectively. Actual revenues and expenditures (through April 2004) total \$61,150 and \$1,480,769, respectively. The Division's budget includes 50 full time positions.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

- 1) Determine if Animal Care & Control is maximizing revenues for the services provided.
- 2) Document Animal Care & Control's revenue sources and management controls established to insure the accurate and timely collection, recording, and depositing of these revenues.

AUDIT CONCLUSIONS

- 1) Animal Care & Control is not maximizing its potential revenues for the services provided and many weaknesses in the revenue generating and collection processes were identified. In addition, several issues were identified in regards to the services provided under the PetData contract.
- 2) Inadequate management controls exist over the citation process. Proper segregation of duties has not been established over the cash receipts process to ensure the accurate and timely collection, recording, and depositing of revenues. However, based on our testing, it does appear that adoptions, redemptions, and refunds were properly processed in most instances.

SIGNIFICANT FINDINGS

- Animals adopted from an Animal Care & Control facility that are under four (4) months of age are not tracked by either PetData or Animal Care & Control to allow for annual reminders to be sent to the pet owner regarding the City's licensing and vaccination requirements.
- Adoption and licensing fees have not been adjusted in several years despite a significant increase in the services provided.
- Animal Care & Control has not established adequate internal controls over the citation process to ensure that all citation revenues are collected and properly accounted for.
- Animal Care & Control has not established a policy for handling "atypical" adoptions.
- Animal Care & Control's internal rescue policy and employee adoption policy is not consistently followed, resulting in the potential for the significant loss of revenues to the City.
- The following issues were identified relating to the PetData Contract:
 - PetData was overpaid a total of \$55,743 for services provided during the second and third year of the contract.
 - PetData has not submitted an annual audit of program services as required by the contract.
 - Participating veterinary clinics are not submitting their license information and collections to PetData in a timely manner.
 - There is no oversight or review of the licenses sold and collections made at participating veterinary offices.
- The process for handling returned checks could be improved.
- Employees with cash handling responsibilities are not evaluated on specific job factors relating to their cash handling duties.
- Segregation of Duties could be improved; including:
 - Restricting access to the cash drawer.
 - Limiting the Account Technician's access in the Chameleon System to inquiry access.
 - Improving segregation of duties over the deposit process.
- We were unable to determine whether the daily collections taken at the Mandarin Animal Care & Control facility for February 27, 2003 were deposited into the City's account.
- Deposits for Off-Site collections were not made intact.
- All employees have the ability to make changes to the transaction dates in the Chameleon System, providing the potential for daily collections to be taken and entered on a backdated receipt.
- Extraneous usernames and usernames with inappropriate passwords exist in the Chameleon System.

OFFICE OF THE COUNCIL AUDITOR

Suite 200, St. James Building



August 13, 2004

Report No. 593

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Jacksonville Municipal Code, we conducted an audit of Animal Care & Control's revenue generating activities, cash handling procedures, and collection efforts and present this report thereon.

Animal Care & Control, a division of the Department of Neighborhoods, is responsible for the enforcement of Chapter 462 of the Jacksonville Municipal Code and various State Statutes that relate to domestic and companion animals. Animal Care & Control's daily activities include issuing citations to negligent pet owners, apprehending loose animals, providing temporary shelter to lost and unwanted animals, and placing animals through an adoption program. The Division's revenues consist of citation revenues, adoption and redemption fees, city licensing and rabies vaccination fees, and donations. For fiscal year 2002/03, Animal Care & Control's revenues and expenditures totaled \$166,101 and \$3,132,994, respectively. The Division's budgeted revenues and expenditures for fiscal year 2003/04 were \$224,310 and \$2,829,947, respectively. Actual revenues and expenditures (through April 2004) total \$61,150 and \$1,480,769, respectively. The Division's budget includes 50 full time positions.

As required by Chapter 462 of the Jacksonville Municipal Code every owner maintaining a dog or cat four (4) months of age or older is required not less than annually to have it inoculated against rabies and licensed by the City. The city licensing fee is \$6.00 for altered animals and \$16.00 for fertile animals. A multiple ownership license is available for individuals owning five (5) or more animals and seniors/disabled persons are allowed up to three (3) free licenses.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

- 1) Determine if Animal Care & Control is maximizing revenues for the services provided.
- 2) Document Animal Care & Control's revenue sources and management controls established to insure the accurate and timely collection, recording, and depositing of these revenues.

STATEMENT OF SCOPE

The audit period for detailed testing of revenue collections was October 1, 2002 through March 12, 2004. The scope of the audit included all revenues collected by Animal Care & Control during this period including adoption and redemption fees, rabies vaccination and city pet license fees, citations and donations. We reviewed the citation process; however, due to a lack of internal controls, no detailed testing was performed in this area. The audit period for detailed testing of refunds was October 1, 2003 through March 12, 2004. The scope of the audit included all refunds provided by Animal Care & Control during this period. The dollar value of the refunds provided and tested during our audit period was \$1,216.25.

STATEMENT OF METHODOLOGY

We reviewed Animal Care & Control's revenue generating activities and performed analysis as necessary, as well as determined compliance with applicable laws and/or policies and procedures. We also evaluated the computer system to determine if there were adequate security and internal controls in place.

Based on our review of the Chameleon System (the City's kennel management software) as currently configured, we feel the data housed within to be of sufficient reliability for purposes of basing our conclusions. This audit was intended to analyze revenue collections of Animal Care & Control. Based on our detailed testing of and comparison between actual monies collected and receipts contained within the Chameleon System, we found nothing of significance to dissuade our use of the data contained within the System. When analyzing the general state of the computing environment, we did discover various control weaknesses but in our estimation these did not affect our ability to use the data in forming our audit conclusions.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgements and conclusions regarding the organization, program, activity, or function under audit. This audit also included an assessment of applicable management controls and compliance with requirements of laws and regulations when necessary to satisfy audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

- 1) Animal Care & Control is not maximizing its potential revenues for the services provided and many weaknesses in the revenue generating and collection processes were identified. In addition, several issues were identified in regards to the services provided under the PetData contract.
- 2) Inadequate management controls exist over the citation process. Proper segregation of duties has not been established over the cash receipts process to ensure the accurate and timely collection, recording, and depositing of revenues. However, based on our testing, it does appear that adoptions, redemptions, and refunds were properly processed in most instances.

Animal Care & Control's responses to our findings and recommendations have been inserted in the body of the report.

AUDIT OBJECTIVE #1

In order to determine if Animal Care & Control is maximizing revenues for the services provided, we reviewed the Division's various revenue sources and unit cost estimates and compared the Division's current fees with other Animal Care & Control centers throughout Florida.

Finding #1-1 **Enhanced Tracking and Revenue Opportunity**

Currently, all animals four (4) months and older that are adopted from an Animal Care & Control facility receive and are charged for a city pet license at the time of the adoption. The license information is electronically transmitted to PetData allowing PetData to track the license and send annual reminders to the pet owner regarding the City's annual vaccination and licensing requirements.

During the audit it was noted that animals under four (4) months of age are not licensed by the City at the time of the adoption, as it is not a requirement of the Ordinance Code. As a result of not being licensed, these animals are not automatically tracked by PetData; and therefore, do not receive annual reminders regarding the City's licensing and vaccination requirements. Unless the individual provides regular veterinary care for the animal and/or voluntarily complies with the City's licensing requirements, it is unlikely that the animal will be licensed. Based on Animal Care & Control estimates, approximately 63% of adopted animals are less than four (4) months of age. During fiscal year 2002/03, 3,720 animals were adopted from Animal Care & Control; of these approximately 2,340 animals would have been less than four months of age.

Recommendation to Finding #1-1

We recommend that Animal Care & Control develop a way for all adopted animals to be tracked through PetData, especially those under four (4) months of age who do not receive a city license at the time of adoption. Animal Care & Control should review the possibility of transferring the owner and animal information to PetData at the time of adoption. This transfer of data would allow PetData to send out annual reminders regarding the City's licensing and vaccination requirements and could potentially result in an increase in compliance with the City's licensing requirements and additional revenues to the City.

While reviewing the fees charged by other Animal Care & Control facilities throughout Florida, we noted that a few cities have established a reduced licensing fee for juvenile animals. The Administration may wish to consider a policy similar to this in order to recover costs associated with processing the owner and animal information.

Animal Care and Control Response #1-1

Animal Care and Control agrees with the finding; but disagree with the recommendation having PetData assume tracking of under aged animals (animals too young to be licensed). PetData has contracted with the City of Jacksonville to provide licensing management service of pets. Under Jacksonville City Code, a pet cannot be licensed until they are of sufficient age (four (4) months). I believe the Council Auditor's intent is to insure that the

owners of these animals receive a reminder to license their pet, when the animal reaches the age of four months. Animal Care and Control will develop a SOP by September 30, 2004, to provide for an in-house reminder notice to be generated by the animal shelter management computer system, "Chameleon." If the pet owner fails to comply with our reminder, Animal Control Officers are able to take enforcement action to insure compliance.

The minimum age in which an animal may be adopted is eight (8) weeks. The minimum age in which an animal may be licensed is four (4) months. The Council Auditor's is recommending that a new pet owner be required to purchase a "juvenile license" for animals in the transition period that would not exceed a two (2) month period. And then at the expiration of that period require the pet owner to re-license their pet again when the pet reaches four (4) months of age. Jacksonville City Code ties Jacksonville licenses with the rabies vaccination of that animal. The Code prohibits the issuance of a City license to an animal that is too young to receive a rabies vaccination. Animal Care and Control does not believe there is sufficient benefit in licensing animals prior to the required age of four (4) months.

Finding #1-2 Adoption Fees

Adoption fees charged by Animal Care & Control have not been adjusted in several years despite a significant increase in the services provided to the animals.

Based on our review, we were unable to determine the last time adoption fees were adjusted; however, discussions with Animal Care & Control indicate that fees have remained constant since at least 1988. Despite the consistency of the adoption fees, Animal Care & Control has taken a proactive approach to animal placement to ensure that animals adopted out are in good health. Currently, all animals adopted from Animal Care & Control receive all necessary vaccinations and medical treatment and are spayed or neutered prior to adoption. These services were not provided prior to 2001. Based on estimates received from Animal Care & Control, the costs associated with animal adoptions can be as high as \$240 for dogs and \$99 for cats. Currently, adoption fees are \$35 for kittens and cats and \$50 for puppies and dogs.

Recommendation to Finding #1-2

We recommend that the Administration review Animal Care & Control's current fee schedule and determine whether it would be appropriate for the City to increase the fees charged for Animal Care & Control adoptions.

Animal Care and Control Response #1-2

Animal Care and Control has recommended that adoption fees increase. It is proposed in the 2004-2005 budget process that cat adoption fees be increased to \$60 and dog adoption fees be increased to \$80. The fee increases will become effective on October 1, 2004. Animal Care and Control will file the new fees with the Council Secretary by September 30, 2004.

Finding #1-3 License Fees

City license fees were increased in 1994 by one-dollar (\$1). This increase was a direct result of the establishment of the Veterinary Services Trust Fund. Since this time, Animal Care & Control has outsourced its licensing program and has not attempted to recover any costs

associated with this service. At the time of our audit, license fees per the Ordinance Code were \$6.00 for altered animals and \$16.00 for fertile animals.

Section 462.317 of the Ordinance Code establishes a voluntary licensing program for the sale of the city pet licenses. Veterinary offices that choose to participate in this program are able to sell city pet licenses and retain twenty-five percent (25%) of the collections, excluding the dollar (\$1) that is earmarked for the Veterinary Services Trust Fund.

For every:

Old Ordinance		New Ordinance		Sold at a participating vet office
\$6.00 license	\$16.00 license	\$6.00 license	\$16.00 license	
\$1.25	\$3.75	\$1.50	\$1.50	Retained by Veterinary Office
\$3.50	\$3.50	\$3.50	\$3.50	Paid to PetData
\$1.00	\$1.00	\$1.00	\$1.00	Earmarked to Veterinary Service Trust Fund
-	\$10.00	-	\$10.00	Earmarked for Spay/Neuter Trust Fund
\$0.25	(\$2.25)	\$0	\$0	Revenue/(Loss) Recognized by General Fund

Subsequent Event – On June 22, 2004, the City Council passed Ordinance 2004-259, which revised this section to provide a flat fee of \$1.50 per license to participating veterinary offices. As a result of this revision, the General Fund no longer recognizes a gain or loss from the sale of the city pet license through participating veterinary offices. In the new Ordinance, Section 462.317 is now Section 462.703. Furthermore, the new Ordinance deleted the cost of the city license and all reference to the distribution of funds to the various trust funds.

The veterinary offices automatically retain their portion and submit the license information and remaining funds directly to PetData for tracking purposes. Upon receipt of these funds, PetData deposits the collections into a City account. Based on our review of this process, it was noted that there is no oversight or review of the licenses sold and collections made at participating veterinary offices. Specifically we noted the following issues:

- Neither Animal Care & Control nor PetData have been accounting for the unused licenses issued to participating veterinary offices.
- Animal Care & Control does not receive information from the participating veterinary offices or PetData to allow them to verify that the deposits made into the City account are correct.
- Neither Animal Care & Control nor PetData track the number of allowable free licenses issued by the participating veterinary offices. During fiscal year 2002/03, a total of 15,361 free city pet licenses were issued. Because the City pays PetData \$3.50 for every license issued, free City pet licenses cost the City \$53,763. For fiscal year 2003/04 (through April 2004), 8,238 free city pet licenses have been issued, at a total cost to the City of \$28,833.

Recommendation to Finding #1-3

We recommend that the Administration review Animal Care & Control's current pet license fee schedule and determine whether it would be appropriate for the City to increase the fees charged for pet licenses. We further recommend that the Administration establish procedures to account for unused licenses issued to participating veterinary offices and licenses sold in order to properly account for revenues owed to the City.

Animal Care and Control Response #1-3

Animal Care and Control has reviewed the current pet license fee schedule and have recommended that license fees for sterile animals be increased to \$16 and license fees for fertile animals be increased to \$26 on October 1, 2004. We have instructed PetData to restrict issuance of the free (senior citizen) pet licenses to 3 per owner. To insure compliance with the conditions of the exempt licenses, Animal Care and Control will become the only location for obtaining exempt licenses beginning on October 1, 2004. Animal Care and Control employees will pick up unused licenses from the participating veterinary offices at the end of each licensing year to audit them against the number of licenses sold by that location. Participating veterinary clinics will be notified of this requirement during the month prior to the end of the licensing period.

Finding #1-4 Atypical Animal Fees

Animal Care & Control receives a variety of animals including ferrets, birds, snakes, and guinea pigs. These animals are primarily adopted out as no charge rescues. Despite not performing extensive medical procedures on these animals, Animal Care & Control expends valuable resources on the collection, intake, processing, and short-term housing of these animals.

Recommendation to Finding #1-4

While reviewing the fees charged by various Florida counties, we noted that a few cities have developed a fee schedule to address the adoption of these "atypical" animals. Animal Care & Control should modify its current policy and establish standard fees addressing the adoption of these atypical animals.

Animal Care and Control Response #1-4

Animal Care and Control will immediately develop a fee schedule to address the common "atypical" animals that come into the Animal Care and Control Center. Non-common "atypical" animals will be based on a formula equal to one half (1/2) the market value for the animal. The market value will be determined by contacting three sources in the Jacksonville area that provide that type of animal and averaging their prices.

Finding #1-5 Citations

Animal Care & Control is responsible for the enforcement of Section 462 of the Ordinance Code relating to animals. This section of the Ordinance Code establishes numerous regulations relating to the housing of animals in Duval County. The Ordinance Code provides Animal Care & Control with the authority to issue citations for instances of non-compliance with the established regulations. A violation of the Ordinance Code may result in a fine ranging from \$50 to \$500, depending on the severity of the violation. For fiscal year 2002/03, revenues generated from the issuance of citations totaled \$57,501 and for fiscal year 2003/04 (through April 2004) citation revenues total \$15,548.

Based on our review of the citation process, it was determined that Animal Care & Control has not established adequate internal controls over the citation process to ensure that all citation revenues are collected and properly accounted for. The following are some of the issues noted during our review of the citation process:

- Citations are pre-numbered; however, Animal Care & Control does not account for every citation number.
- The amount of the citation is not entered into the Chameleon System when issued. As a result, Animal Care & Control is not able to determine the amount of outstanding fines.
- The citation can be difficult to understand since there is a discount if the fine is paid on time and uncontested. In addition there is a \$5.00 surcharge tacked on the citation that can easily be overlooked.
- Payment on the citation is made at the Tax Collector's Office; however, the Tax Collector does not have access to the information on the issued citations. As a result, the Tax Collector must rely on the individual to bring the citation with them and must calculate that payment correctly – including discount amounts and surcharges.
- Animal Care & Control only knows that a payment has been made on a citation if they receive a CR from the Tax Collector's Office.
- If the CR does not contain the citation number or individual's name, Animal Care & Control is unable to properly match the payment to the citation in the Chameleon System. Paid citations may remain outstanding in the Chameleon System.
- If payment is not received within ten (10) days, the citation is to be processed at the Clerk of Courts for final judgment. This process has not been followed.
- Currently, there are no collection efforts on unpaid citations.

Recommendation to Finding #1-5

An adequate citation system needs to be established to ensure that all citations are accounted for, tracked, and collected on. When addressing this issue, the Administration should consider the efforts of all parties, including the Tax Collector's Office and the Clerk of Courts. We also recommend that the Administration review the current citations used to determine if modifications could be made to make it easier to determine the amount of the fine and surcharge to be collected. Modifications to the citations should include removing "Lynwood Roberts, Tax Collector" and replacing it with just "Tax Collector".

Animal Care and Control Response #1-5

Animal Care and Control agrees with these findings and have developed the SOP, trained employees, received wonderful assistance from General Counsel's Office and we have resolved the back log of citations. The Council Auditor's recommendation for a system to account, track and collect is well under way.

Finding #1-6 Animal Rescues

Animal Care & Control has established an internal policy to provide for the "rescue" of animals. This policy allows approved rescue groups to receive a reduced adoption rate depending on the level of service that has been provided to the animal. Based on our review, it was determined that the rescue policy is not consistently followed, resulting in the potential for the significant loss of revenues to the City.

From October 14, 2002 through March 19, 2004, 405 animals were adopted from Animal Care & Control as “rescues” with collections totaling \$3,019. This is an average of \$7.45 per animal. At a minimum, these animals are usually screened by a veterinary technician, and based on our review, 27 of the animals were altered at no charge to the rescue group. These are some of the issues noted during our review of rescues:

- Adoptable animals are often provided at no charge to rescue groups, who in turn sell these animals for profit. Despite not performing vaccinations and sterilization on these animals, Animal Care & Control expends valuable resources on the collection, intake, processing, and short-term housing of these animals.
- In many instances, these animals receive medical treatment and are released to the rescue group without payment of the appropriate charge based on the established fee schedule.
- Rescue groups are not consistently required to submit medical treatment documentation to Animal Care & Control on animals that did not receive complete service from Animal Care & Control. For instance, if the animal is not sterilized by Animal Care & Control, the rescue group is required to incur the cost of the sterilization prior to selling/releasing the animal. Often times this documentation is not submitted to Animal Care & Control as required.

Recommendation to Finding #1-6

We recommend that the Administration review the current rescue policy. All rescues should be provided in accordance with Animal Care & Control’s internal policies. Essentially, Animal Care & Control should attempt to recover its cost for every animal that is adopted from its facilities.

Animal Care and Control Response #1-6

Animal Care and Control will review our internal policy for rescue adoptions before September 30, 2004. We agree that Animal Care and Control should attempt to recover our cost for every animal; however, animals released to rescue organizations are animals that would be otherwise destroyed. Rescue organizations save Animal Care and Control the additional cost of euthanasia and disposal of those animals when they rescue animals from our organization.

Finding #1-7 Employee Animal Adoptions

Animal Care & Control has developed an internal employee adoption policy. This policy requires that the Division Chief and the Adoption Coordinator review and approve the adoption application, that an adoption contract is completed, and that the adoption fee is paid in full.

During our review of employee adoptions, it was noted that several employees have adopted animals as “rescues” at no charge. Many of these animals were atypical adoptions, such as ferrets, birds, snakes, and guinea pigs. Despite not performing extensive medical procedures on these animals, Animal Care & Control has expended valuable resources on the collection, intake, processing, and short-term housing of these animals. In addition, it was noted that a few employees have adopted dogs and cats as “rescues” and not paid the appropriate fees based on the level of services provided to the animal including not obtaining a city license.

We found that Animal Care & Control employees adopted a total of eight (8) dogs and cats as rescues. Despite not being charged an adoption fee, all of these animals received some level of medical treatment and five (5) animals appear to have been altered at Animal Care & Control's expense.

Furthermore, we noted that there was no documentation on the adoption packets to indicate that any of the employee adoptions/rescues were reviewed or approved by the Division Chief as required by Animal Care & Control's internal employee adoption policy.

Recommendation to Finding #1-7

We recommend that Animal Care & Control review its current employee adoption policy. All animals adopted by employees should be charged the established fees at the time of the adoption, including the adoption fee, rabies vaccination fee, and city licensing fee. In addition, all employee adoptions should be approved by the Division Chief and the Adoption Coordinator as required by the Division's internal policy. This approval should be documented on each employee adoption contract.

Animal Care and Control Response #1-7

Animal Care and Control agrees with these findings and will implement the recommendation. The current SOP will be rewritten to meet these recommendations prior to September 30, 2004. Many of the animals adopted to Animal Care & Control employees are animals needing critical care and requiring considerable out of pocket expenditure for medical treatment. As with the rescue organizations, if the employee had not intervened on the animal's behalf, the animal would have been destroyed as an unadoptable animal.

Finding #1-8 PetData Contract

In September 2000, the City of Jacksonville, on behalf of Animal Care & Control, entered into an agreement with PetData, Inc. for the management of Animal Care & Control's animal licensing system. Based on the contract, PetData is expected to furnish all services normally expected of an animal licensing system including purchasing and distributing city license tags, issuing tag renewal notices to pet owners, and providing full accounting of all revenues and expenses. For these services, PetData currently receives \$3.50 for each license that is sold, with payments under the contract not-to-exceed \$336,000.

For the City's fiscal year 2002/03, Animal Care & Control's revenues from the sale of city licenses totaled \$358,556, which was offset by payments made to PetData totaling \$285,481, resulting in net revenues to the City of \$73,075. For fiscal year 2003/04 (through April 2004), revenues from the sale of city licenses total \$200,072, which is offset by payments totaling \$179,243 to PetData, resulting in net revenue to the City of \$20,829.

The following issues were noted during our review of the services provided by PetData:

- PetData was overpaid for services provided during the second and third year of the contract:

Contract Year	Max per Contract	Contract Payment	Overpaid
6/1/00 – 5/31/01 (started Oct. 2000)	\$250,000	\$129,216	-
6/1/01 – 5/31/02	\$250,000	\$256,596	\$ 6,596
6/1/02 – 5/31/03	\$250,000	\$299,147	\$ 49,147
Total Overpayment			\$ 55,743

- PetData has not submitted an annual audit of program services as required by the contract; however, the contract does not define exactly what should have been included in the audit.
- Part of PetData’s responsibility per the contract is to make collections from each of the participating veterinary offices on the licenses that they sell. During our review, it was noted that several of the participating veterinary clinics are not submitting their license information and collections in a timely manner. For instance, PetData’s January 2004 billing included licenses that were sold as far back as May 2003. Of the 42 veterinary offices included in the January 2004 billing, nine (9) offices (21.4%) submitted information on licenses that were at least two (2) months old and six (6) offices (14.3%) submitted information that was at least four (4) months old.

Recommendation to Finding #1-8

Based on the services provided and their related costs, we recommend that the Administration review the PetData contract and evaluate the cost of providing these services in-house. Currently, Animal Care & Control is invoiced \$3.50 for every free license that is issued. During fiscal year 2002/03, providing free licenses cost the City approximately \$53,000. The Administration should consider the cost saving it would recognize from the elimination of the free city licenses.

Furthermore, we recommend that the Administration seek reimbursement from PetData for the overpayments made during the second and third year of the contract; and, after defining the City’s expectations of the required annual audit, request such an audit from PetData.

Animal Care and Control Response #1-8

Animal Care and Control is reviewing the contract with PetData and will make a determination as to whether it is more cost effective to provide the service in-house. We will consider the elimination of the free (senior citizen) city licenses at our next rewrite of the City Code.

Animal Care and Control understands that the over payment to PetData is a result of PetData processing more licenses than they proposed in the bid process, in which they calculated on a \$3.00 per license basis. They saw the additional licenses as more revenue for the City and continued billing at their \$3.00 rate. However the contact is quite clear that they are not to exceed the contract amount. Animal Care and Control will pursue the Council Auditor’s recommendation to request reimbursement from PetData. A letter will be sent to PetData requesting the reimbursement of \$55,743 plus \$19,215.50 for the period of June 1, 2003 to May 31, 2004. The request for reimbursement will be mailed to PetData prior to July 30, 2004.

Finding #1-9 **Weekend Adoptions**

Approximately twice a month, Animal Care & Control holds weekend adoptions at local PETsMART locations. An Animal Care & Control employee works these adoptions with assistance from First Coast No More Homeless Pets (FCNMHP) volunteers. For every animal that is adopted from a PETsMART location, PETsMART provides a five-dollar (\$5) cash rebate to the organization.

During our review, it was noted that Animal Care & Control was receiving these rebates until approximately July 2003, when the amount of the rebates significantly dropped. Based on discussions with Animal Care & Control employees, it was determined that FCNMHP currently receives these rebates. Further discussion revealed that there was not a verbal or written agreement with FCNMHP regarding the receipt of the five-dollar rebates. It appears that FCNMHP has taken it on themselves to collect the rebates.

Recommendation to Finding #1-9

We recommend that the Administration review this issue. If Animal Care & Control wishes to provide the rebate monies to FCNMHP for their volunteer efforts, a formal written agreement between the two parties should be established. If this was and is not Animal Care & Control's intent, we recommend that they seek reimbursement of these funds from FCNMHP.

Animal Care and Control Response #1-9

Animal Care and Control has reviewed this finding and wish to enter into a formal written agreement with First Coast No More Homeless Pets as recommended. FCNMHP provides administration, setup and breakdown at the above mentioned animal adoption events. We believe that the \$5 PetsMart rebate given to FCNMHP hardly repays them for all of their efforts and it saves Animal Care and Control the cost of providing staff before and after the adoption events. Animal Care and Control will work with the General Counsel's Office to prepare the agreement by September 30, 2004

Finding #1-10 **Returned Checks**

As part of our detailed testing, we reviewed Animal Care & Control's collection efforts to ensure that returned checks were processed for collection in a timely manner. We selected three (3) months during the audit period for detailed testing and traced the returned checks through the collection process. During our testing, we found that:

- No collection efforts had been made on two (2) of the 18 returned checks reviewed (11.1%). These two checks, totaling \$22, were processed by the Tax Collector's Office on January 29, 2004.
- Of the eight (8) returned checks that remained unpaid following notification by certified mail, three (3) of the returned checks (37.5%), totaling \$77, had not been forwarded to the State Attorney's Office for prosecution.

Recommendation to Finding #1-10

We recommend that Animal Care & Control review its current return check process and make any necessary changes to ensure that collection efforts are made in a timely manner. In addition, we recommend that Animal Care & Control, with the assistance of the State

Attorney's Office, determine what additional information should be required on checks sent to PetData and accepted by participating veterinary offices (payable to the Tax Collector) to ensure that the City can pursue collection efforts on these checks.

Animal Care and Control Response #1-10

Animal Care and Control has reviewed our return check process and we have made the appropriate changes to our policy as per this recommendation. Animal Care and Control employees have received training on the processing of returned checks.

AUDIT OBJECTIVE #2

Document Animal Care & Control's revenue sources and management controls established to insure the accurate and timely collection, recording, and depositing of these revenues. Testing under this objective included obtaining an understanding of Animal Care & Control's revenue sources and reviewing the Division's internal controls and cash handling procedures. We selected a sample of days and traced the daily collections to the deposit. In addition, we reviewed all refunds provided during the current fiscal year.

Finding #2-1 **Employee Job Factors**

Employees with cash handling responsibilities are not evaluated on specific job factors relating to their cash handling duties. The City's Cash Receipt Procedures state "*Job Factors are required to identify the specific duties to be performed by individuals handling money.*"

Recommendation to Finding #2-1

We recommend that Animal Care & Control revise its employee evaluations to include specific job factors relating to the employees' cash handling responsibilities. In addition, it was noted that employees do not receive formal training on cash handling procedures as the City's Training Division does not offer such classes. We recommend that the City's Training Division offer formal training in proper cash handling procedures including a review of the City's Cash Receipt Procedures. This training should be required for all City employees with cash handling responsibilities.

Animal Care and Control Response #2-1

Animal Care and Control added cash handling responsibilities to the job factors in June of 2004. At the present time, the City's training Division does not offer training on proper cash handling procedures. Animal Care and Control will develop an in-house cash handling training class for Animal Care and Control employees prior to January 1, 2005.

Finding #2-2 **Access to Cash**

Two (2) employees at the 1st Street Animal Care & Control facility have access to the cash drawer even though their daily activities no longer include taking collections. The City's Cash Receipt Procedures state "*Access to money must be limited to those who have proper authority; this authority should be restricted to those whose job requires access.*"

Recommendation to Finding #2-2

We recommend that Animal Care & Control immediately terminate access to the cash drawer for all employees whose job no longer requires access.

Animal Care and Control Response #2-2

The two employees mentioned in this recommendation no longer have access to the cash drawer. Access was removed when Animal Care and Control first learned of this issue from the County Auditor's Office. A cash handling SOP will be in place prior to January 1, 2005.

Finding #2-3 **Access in Chameleon System**

The Account Technician's access in the Chameleon System should be limited to inquiry access only and better segregation of duties needs to be established over the deposit process. During our review of the internal controls established by Animal Care & Control, it was noted that proper segregation of duties have not been established to insure the accurate and timely collection, recording, and depositing of daily collections. The following issues were noted:

- The Account Technician has access to reverse collection transactions (via a journal entry) in the Chameleon System. Although no instances of misappropriation were identified during our audit, this level of access significantly compromises the deposit process since there is the potential for daily collection transactions to be reversed in the System and the funds misappropriated.

- The Account Technician is responsible for preparing the deposit, creating the collections receipt (CR), making the deposit, reviewing the validated CR, and verifying the deposit in the City's general ledger for 1st Street Animal Care & Control collections. Although no instances of misappropriation were identified during our audit, the lack of segregation of duties provides the opportunity for City funds to be misappropriated and the misappropriation not identified.

Recommendation to Finding #2-3

We recommend that the Account Technician's access in the Chameleon System be restricted to inquiry access only. In addition, we recommend that Animal Care & Control improve the segregation of duties over the deposit process. Specifically, an individual other than the Account Technician should be responsible for reviewing the deposits and verifying their posting in the City's general ledger system.

Animal Care and Control Response #2-3

The Account Technician's access in to Chameleon has been restricted to inquiry access only as recommended in June 2004. Animal Care and Control has implemented additional segregation of duties over the deposit process. Our Administrative Manager is providing the final oversight in the deposit process. The appropriate SOPs will be revised to reflect the segregation of duties prior to January 1, 2005.

Finding #2-4 **Unaccounted for Deposit**

We were unable to determine whether the daily collections taken at the Mandarin Animal Care & Control facility for February 27, 2003 were deposited into the City's account. Animal Care & Control was unable to locate the deposit packet for this day and as a result, it appears that the deposit was not verified in the City's general ledger. Both Animal Care & Control and the Council Auditor's Office attempted to locate the deposit in the City's general ledger and were unable to determine if the collections were deposited. Based on daily

collection information in the Chameleon System, Mandarin Animal Care & Control collections for February 27, 2003 totaled \$355.00.

Recommendation to Finding #2-4

Section 102.104 of the Jacksonville Municipal Code states “*Whenever a custodian, property officer or accountable officer responsible for public funds or public property discovers a loss, unexplained disappearance or theft of the funds or property for which he is responsible or accountable, he shall report the apparent loss, unexplained disappearance or theft to the Council Auditor's Office at the same time as it is reported to the Office of the Sheriff as required by Section 122.810.*”

All instances of loss or theft should be properly addressed at the time of incident and responsible individuals should be held accountable. Furthermore, the appropriate officials should be immediately notified in accordance with Section 102 of the Jacksonville Municipal Code.

Animal Care and Control Response #2-4

The Account Technician is now monitoring deposits against the Chameleon system to insure that the amounts are reconciled. The Office Manager is confirming that the accounts are reconciled. As a result of this new process, we should know immediately if a deposit is not made. All employees will be held accountable and their SOP will include language regarding notification to the proper officials in accordance with Section 102 of the Code prior to January 1, 2005.

Finding #2-5 Cash Deposits

Deposits for Off-Site collections were not made intact for two (2) of the 12 days (16.7%) in our sample. For each of the instances noted, the total daily collections were deposited at the Tax Collector’s Office during two (2) separate transactions. In the first instance, the deposits totaling \$375 were made four (4) days apart and in the second instance, the deposits totaling \$668 were made five (5) days apart.

Recommendation to Finding #2-5

We recommend that Animal Care & Control ensure that all collections are deposited intact and in a timely manner (i.e. the next business day).

Animal Care and Control Response #2-5

Animal Care and Control agrees with this finding and will comply with this recommendation. An updated SOP will be completed prior to January 1, 2005.

Finding #2-6 Untracked Transactions

During our review it was noted that zero value transactions (such as no charge rescues) may be processed in the Chameleon System without generating a transaction number. In order to improve the tracking of all transactions, a computer-generated transaction number should be created for every transaction, the transaction number should be automatically tied to the corresponding Chameleon screens, and all transactions should be included on the daily “Cash Box Closing Report”.

Recommendation to Finding #2-6

We recommend that Animal Care & Control work with HLP Inc. to make the necessary modifications in order to ensure that every transaction is documented by a computer-generated transaction number and included on the daily “Cash Box Closing Report”. In addition, we recommend that the necessary modifications be made to ensure that the transaction number is automatically tied to each corresponding screen in the Chameleon System. A separate “No Charge Transaction” screen may also be beneficial.

Animal Care and Control Response #2-6

The Chameleon system provides self-generating receipt numbers and prints them on each receipt. The system prints these receipt numbers on the “Cash Box Closing Report” that is used to summarize the daily transactions at the end of each business day. We have added the ability for “No Charge Transactions.”

Finding #2-7 Animal Redemption

During our review of a sample of redemptions, eight (8) instances were noted where the license number was not documented in the Chameleon System when the animal had a pre-existing license. Eight (8) additional instances were noted where there was no reference made as to whether the dog/cat had an up-to-date rabies vaccination. Section 462.309(b) of the Jacksonville Municipal Code states “*Animal Care & Control is authorized to require, prior to release of an animal, administration of inoculation for rabies under the control and supervision of a veterinarian, payment of a fee for such inoculation pursuant to the fee schedule . . . and issuance of a license tag which shall evidence inoculation, registration and licensing.*” As a result of this finding, Animal Care & Control is unable to ensure that the redemptions were provided in accordance with the Jacksonville Municipal Code and Animal Care & Control’s internal procedures.

Recommendation to Finding #2-7

We recommend that Animal Care & Control document the city license number and preexisting vaccination information in the Chameleon System if the animal has an up-to-date City license and/or rabies vaccination before it is released to the owner.

Animal Care and Control Response #2-7

We agree with this finding and implemented this recommendation in May 2004. The SOP will be updated to reflect this recommendation prior to January 1, 2005.

Finding #2-8 Pet License Data Tracking

As part of our detailed testing, we traced the city pet license information for the license tags issued by Animal Care & Control in our sample from the Chameleon System to PetData’s website in order to determine whether the license information is being transferred to and tracked by PetData. When performing a search in PetData’s website for the city license tag number, we were unable to locate the license information for 17 of the 185 licenses (9.2%) issued by Animal Care & Control in our sample. These included eight (8) of the 122 licenses issued from the 1st Street facility (6.6%), one (1) of the 31 licenses issued from the Mandarin facility (3.2%), and eight (8) of the 32 licenses issued during Off-Site adoptions (25.0%).

Recommendation to Finding #2-8

Since PetData must have the license information in order to track the licenses, we recommend that Animal Care & Control review these instances and determine why the information was not properly transferred to PetData.

Animal Care and Control Response #2-8

PetData advised us that incorrect data entry by Animal Care and Control employees would prevent the data from being uploaded to them. As such, if incorrect information is entered into the Chameleon system, it is possible that the program that uploads the data to PetData would not recognize the entry as a new license. Animal Care and Control will conduct training to insure that staff knows how to properly enter licensing data prior to September 30, 2004. We are currently attempting to locate all of the records that have been incorrectly entered and correcting those entries so that they may become available to PetData.

Finding #2-9 Refunds

Of the 23 refunds granted during the current fiscal year, we found that one (1) refund (4.3%) was provided although no documentation existed as to why the refund was necessary. Animal Care & Control's internal policy requires that the Adoption Refund Form be completed and the reason for the refund be documented on the form.

Recommendation to Finding #2-9

We recommend that all refunds be provided in accordance with Animal Care & Control's internal policy.

Animal Care and Control Response #2-9

Animal Care and Control will follow our internal policy on refunds. The current policy is adequate, and employees will be required to follow the policy.

Finding #2-10 Chameleon System Dates

Dates in the Chameleon System are not "hardcoded". Although the dates are automatically generated by the System, all employees have the ability to make changes to the transaction dates. A combination of standard practices, security over daily collections, and system reliability dictate that dates be automatically generated by the system and protected. Although no instances of misappropriation were noted during our audit, there is the potential for daily collections to be taken and entered on a backdated receipt. As a result, the collection would not be included on the daily "Cash Box Closing Report"; and therefore, would not be required to balance the deposit.

Recommendation to Finding #2-10

We recommend that Animal Care & Control work with HLP Inc. (the providers of the City's kennel management software) to determine what system modifications are necessary to ensure that the dates cannot be changed.

Animal Care and Control Response #2-10

Animal Care and Control agrees with the Council Auditor that hardcoding of the receipt date in the Chameleon software will increase the security of the software. We will immediately contact HLP to make the software changes.

Additional Finding Related to Computer Technology

As required by governmental auditing standards, we assessed the reliability of computer-processed data and noted the following internal control weakness directly related to Animal Care & Control. Additional system related weaknesses were noted during our audit; however, these issues have been excluded from this report and will be addressed in a separate report to the City's Information Technology Division.

Extraneous usernames and usernames with inappropriate passwords exist in the Chameleon System. Access to data must be limited as one step towards insuring its accuracy. Limiting the number of usernames to the number of employees or individuals that need access to Chameleon is a crucial step in limiting access to the data.

Recommendation to Finding Related to Computer Technology

We recommend that Animal Care & Control immediately remove any unneeded, extraneous, and duplicate accounts (including those belonging to employees of the City's Information Technology Division or HLP Inc.) and that a routine audit of system access be implemented. In addition, we recommend that all employees be required to change their Chameleon password.

Animal Care and Control Response Related to Computer Technology

Animal Care and Control has removed all unneeded, extraneous, and duplicate accounts from the Chameleon System as recommended. Animal Care and Control employees will be reminded to change their Chameleon passwords on a regular basis or as needed. Animal Care and Control's Administrative Manager will monitor the user list and remove duplicates and logons of terminated employees.

We wish to thank both the Neighborhoods Department and the Animal Care & Control Division for the courtesy and cooperation they have extended to us during the course of our audit.

Respectfully submitted,

Richard Wallace, CPA
Council Auditor

Audit Performed by:
Tasha Morgan, CPA
Heather Norsworthy
Adam Mathews



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Block by Block*

Office of the Director

MEMORANDUM

July 23, 2004

To: Richard Wallace, Council Auditor

From: Roslyn Phillips, Director *Roslyn Phillips*

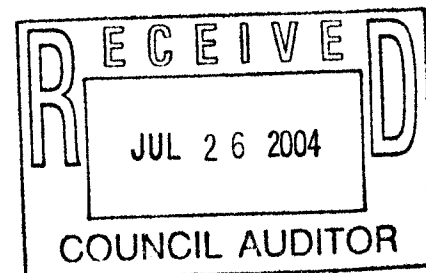
RE: **NEIGHBORHOODS DEPARTMENT RESPONSE TO ANIMAL CARE & CONTROL AUDIT**

We appreciate the work of the Council Auditor's Office in assisting to identify areas of weakness in the Animal Care and Control Division and recommendations made for corrective action. Attached is the department's response to the Audit.

As you will note, corrective action has been taken on many of the findings and recommendations implemented. We continue to develop standard operating procedures to ensure processes are in place to adequately enforce city ordinances and state laws relating to domestic animals for the protection of both the human and animal populations of Jacksonville.

Under the leadership of the newly appointed chief, David Flagler, we look forward to many refinements in this Division to provide a much improved level of service and more efficient operation.

Additionally, with the provision of additional staff resources, training and construction of the new, state-of-the-art facility, our goal is to promote responsible pet ownership, and to offer healthy, friendly and loving pets to the community and to reunite lost pets with their owners.



Recipient of the Governor's 2001 Sterling Award

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