

Audit Report



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

Report #0313

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Executive Summary

The purpose of this report is to advise the City Manager and executive management on ways to strengthen internal controls over revenue collections at the Tallahassee-Leon Community Animal Service Center (ASC). In June 2002, the new ASC Manager, employed February 2002, provided information to the Tallahassee Police Department (TPD) causing an initiation of a criminal investigation of alleged theft of ASC adoption revenues.

Concurrently, the Assistant City Manager for Safety and Neighborhood Services requested that we provide audit assistance to TPD and perform such other auditing procedures as we deemed necessary. We have subsequently performed an audit of ASC controls relative to revenues and provided financial information from ASC records to TPD as requested.

Our review showed that adequate internal controls over ASC animal adoption fees and other revenues had not been established prior to the appointment of the new ASC Manager. Some of the issues identified in this audit were also addressed in the City Auditor's Report on Citywide Cash Controls (#0134), issued in August 2001. Because of the lack of proper controls, ASC records do not account for the disposition of adoption fee revenues exceeding \$20,000 and relating to the period June 1999 through June 2002.

In June 2002 and prior to the initiation of this audit, City management terminated the employment of the former ASC Manager and Office Supervisor. Those terminations resulted because improvements in the ASC control environment were not being made. Subsequent to our fieldwork, TPD arrested the former ASC Office Supervisor (on November 4, 2002) for the alleged theft of ASC funds.

Issues identified during our review as well as recommendations and management's planned actions (see Appendix A) to address those issues are provided in this report. Some corrective actions were initiated by the new ASC Manager prior to the start of this audit. Also, additional corrective actions were initiated during our fieldwork as control weaknesses were brought to the attention of the ASC Manager.

We commend City and current ASC management in recognizing existing issues and initiating actions to resolve and remedy those issues. We would also like to acknowledge the cooperation and support of the current ASC Manager and staff and the cooperative and professional relationship that existed with TPD during this audit.

Scope, Objectives, and Methodology

The scope of this audit included a review of revenue activity and controls at the Tallahassee-Leon Community Animal Service Center (ASC) during the period June 1999 through June 2002.

Our audit objectives were to determine whether adequate controls were in place to ensure that:

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

To address the above objectives, we interviewed staff at the ASC; reviewed activity recorded in the ASC Chameleon system; reviewed cash reports, deposit records, and available cash register tapes; reviewed refund requests; and reviewed other

related records such as euthanization logs. We also conducted data analysis, tests of controls, and relevant detailed tests of transactions. These audit procedures were conducted in accordance with Generally Accepted Government Auditing Standards and Standards for the Professional Practice of Internal Auditing, as appropriate.

Background

The ASC is organizationally under the Department of Neighborhood and Community Services. The ASC enforces animal control ordinances, shelters stray/homeless pets, and operates adoption, euthanasia, foster care, and humane education outreach programs. The ASC became part of the City in 1996. Prior to that time, animal control services were provided by the Humane Society through contract with the City. ASC services are available to the County through an inter-local agreement.

Revenues are generated at the ASC through fees charged for the adoption of dogs, cats, and other sheltered animals. The vast majority of animals adopted are dogs and cats. Adoption fees for dogs and cats are \$50 per animal. Adoption fees for other animals (birds, rabbits, etc.) range from \$5 to \$50. Other fees are charged to animal owners whose animals have been impounded or boarded at the center for various reasons. In addition, fees may be collected for the sale of collars, leashes and animal carriers and for the placement of microchips in animals for identification purposes. The County also is periodically billed for animals picked up outside the city limits and impounded or euthanized. The following table shows fees by category for the one-year period July 2001 through June 2002.

Category	Fees Collected
Adoptions	\$111,269
Boarding/Impoundment	\$46,658
County	\$101,807
Other	\$4,094
Total	\$263,828

In addition, the non-profit TREATS organization accepts public donations that may be used to benefit the ASC. TREATS donations are sometimes collected by ASC staff for submission to authorized TREATS representatives. All fees and collections other than donations are deposited into the City's general fund.

After an individual decides to adopt an animal, the

fee is paid and the animal is tested for various diseases/conditions such as heartworms or feline leukemia. In the event an animal is determined to be sick and/or require extensive treatment, the individual is provided the option to void the adoption and receive a refund. During the one-year period July 2001 through June 2002, records show ASC staff made refunds totaling \$4,700 for 94 animals.

The ASC uses the Chameleon system (software program) to record activity relating to animals brought to the center. Animals are assigned a kennel and recorded in the Chameleon system under a unique animal identification number. The Chameleon system provides the ability to record various information on an animal, including:

- data unique to an animal such as description, condition, and behavioral tendencies;
- demographical data on owners and adopters;
- fees collected for adoptions and boarding/impoundment; and
- final disposition of the animals (adopted, returned to owner, fostered, euthanized, etc.).

In February 2002, the City hired a new Manager for the ASC. The previous Manager served as the Assistant Manager until June 2002, at which time the City terminated that employment. In June 2002 the Supervisor (Office Supervisor) of the ASC was also terminated from employment for inability to satisfactorily perform job duties and multiple infractions of the City's financial management practices.

This audit was conducted as the result of concerns expressed by the ASC Manager (hired in February 2002) to the Tallahassee Police Department (TPD). Those concerns related to the propriety and appropriateness of several refund requests allegedly initiated and made by the former Office Supervisor. The ASC Manager also expressed concerns regarding a credit union bank account managed by the former Manager and Office Supervisor. In July 2002 the Assistant City Manager for Safety and Neighborhood Services, through TPD and the ASC Manager, requested assistance from the Office of the City Auditor in regard to these concerns. Our resulting audit included a review of ASC controls over the collection, disposition, and documentation of revenues with the intent of providing recommendations to the ASC Manager and to assist TPD. Subsequent to the completion of our audit fieldwork and an investigation by TPD, the former Office Supervisor was arrested on

November 4, 2002, and charged with one count of grand theft. Unaccounted for adoption fees associated with the arrest of the former Office Supervisor totaled in excess of \$20,000.

Pursuant to City Commission Internal Control Policy No. 220, the City Manager has developed appropriate guidelines for City departments to use in the establishment of internal controls. These "Internal Control Guidelines," dated November 1994, are contained in Administrative Policy and Procedure No. 630. City internal controls should promote the following objectives:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable policies, guidelines, and procedures.

A subset of the above three objectives is the safeguarding of assets to provide reasonable assurance regarding prevention of or prompt detection of unauthorized diversion of City assets (e.g., revenues).

Significant Issues and Recommendations

The following table is presented to describe identified internal control issues and to provide recommendations for management's consideration and implementation. These recommendations to the City Manager and executive management are in the following general areas:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

Management has developed an action plan to address these issues and recommendations. That action plan, which identifies the estimated completion dates and the persons responsible for completing each action, is presented as Appendix A of this report.

Table 1

Control Environment

Management is responsible for the control environment, for setting the tone for the organization, and for influencing the control consciousness of its people. A positive control environment is the foundation for all other components of internal control, providing discipline and structure.

Issue	Recommendation
<p>1. ASC employees should complete City training in ethical behavior and expectations. During the past two years the City Manager has made ethics training a priority for City government. An ethics training manual, "Ethics for a Modern Workforce," has been developed to serve as a citywide guide on ethics. Over 1,000 City employees have received training thus far. An additional 54 training sessions have been scheduled to train additional City employees during the period January through March 2003.</p>	<p>1. City management should continue to communicate and reinforce its commitment to an expectation that all City employees, from the top down, act with integrity and ethical values. Employees should be encouraged to identify suspected improper activity without fear of repercussion, and disciplinary actions taken as a result of violations found should be widely communicated so others know the expected consequences for similar actions.</p>
<p>2. Prior to the hiring of the new ASC Manager, proper and timely action was not taken to correct two of the four significant control deficiencies identified in the City Auditor's Report on Citywide Cash Controls (#0134), issued in August 2001. Although the Assistant City Manager for Safety and Neighborhood Services placed a priority in mitigating those risks when identified by the Office of the City Auditor, former ASC management did not take timely action. As a result, the period in which certain revenues were not accounted for continued through May 2002. In June 2002, the former ASC Manager and Office Supervisor were terminated.</p>	<p>2. Management should ensure that identified deficiencies are promptly addressed and resolved. The new ASC Manager is in the process of addressing the control deficiencies identified in audit report #0134.</p>

<p>3. Prior to the hiring of the new ASC Manager, complete and comprehensive written policies and procedures had not been developed for the ASC that took into consideration all aspects of revenue operations, such as fee waivers, depositing collections intact, accessing and recording transactions in the Chameleon system, and issuing refunds.</p> <p>Note: This issue is discussed in further detail under Control Activities and Information and Communications.</p>	<p>3. The new ASC Manager was initiating the development of written internal policies at the time of our audit fieldwork. Those policies should be consistent with internal control guidelines contained in Administrative Policy and Procedure No. 630. Such policies should be reviewed and approved by the ASC Manager, Department Director, and the Assistant City Manager for Safety and Neighborhood Services. The development of those policies and procedures should be coordinated with Accounting Services and the Treasurer-Clerk's Revenue Office.</p>
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<p style="text-align: center;">Risk Assessment</p>	
<p>Risk assessments are mechanisms to determine the relative potential for errors, fraud, or non-compliance in programs and functions from both external and internal sources. Among other things, risk assessments should determine the likelihood that assets (e.g., revenues) are not adequately safeguarded against loss and misappropriation and revenues are not properly accounted for and recorded. Management is responsible for assessing risk and encouraging continuous assessment at all levels in the organization. Management is also responsible for taking timely actions to mitigate identified risks through establishment of appropriate control activities.</p>	
<p style="text-align: center;">Issue</p>	<p style="text-align: center;">Recommendation</p>
<p>1. Had management periodically assessed risks relating to ASC cash and revenues, the lack of adequate segregation of duties and lack of independent checks and balances would have been timely detected, thereby allowing for more timely corrective action.</p>	<p>1. Management (Assistant City Manager for Safety and Neighborhood Services, Department Director, and ASC Manager) should ensure that periodic risk assessments are conducted at the ASC to identify:</p> <ul style="list-style-type: none"> • Internal control risks; • Programs and activities that have an inherent risk; and • Ways to mitigate identified risks.

<p style="text-align: center;">Control Activities</p>	
<p>Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives. They are an integral part of planning, implementing, reviewing, and accountability. They include a wide range of diverse activities such as access and physical controls over assets, direct and continuous supervision, segregation of incompatible duties, approvals, authorizations, verifications, reconciliations, performance reviews, and creation and maintenance of records that provide evidence of execution of activities as well as appropriate documentation.</p>	
<p style="text-align: center;">Issue</p>	<p style="text-align: center;">Recommendation</p>
<p>1. Cashiers could use the transaction keys of other cashiers when ringing up transactions in the cash register. Under those circumstances, a cashier is in the position to fraudulently use the transaction key of another cashier when ringing up a revenue transaction and to divert funds in the amount of the transaction. In that situation, the diversion would appear to be attributable to the other cashier whose transaction key was fraudulently used.</p>	<p>1. We acknowledge that the use of a cash register and assignment of separate cash drawers to each cashier provides some level of control at the ASC. To improve on those controls, management should consult with the Treasurer-Clerk's Revenue Office as to whether the new cash receipt program (CORE) planned for the City can be implemented in a manner that will alleviate the noted risk. If that approach is not cost-beneficial or reasonable, management should consider obtaining a cash register with the technology that allows each cashier to protect his/her transaction key through unique passwords that must be entered in the register to record a transaction. If such a register is acquired, cashiers should be instructed to protect and not share their unique passwords in order to maintain the integrity of the control.</p>

<p>2. Funds had not always been adequately safeguarded. Daily collections pending deposit as well as imprest (petty) cash funds were stored in a safe located in the room used by the Office Supervisor. At the beginning of our fieldwork, the safe and the room were not always locked. As that room was accessible by anyone entering the ASC facility (especially ASC staff), those circumstances increased the exposure of the funds to loss or theft.</p>	<p>2. After we made ASC management aware of these circumstances, appropriate actions were taken to keep the safe locked when not in use and to lock the room when unattended. These control practices should be incorporated into written internal policies and procedures by ASC management.</p>
<p>3. Functions relating to the recording and processing of fee collections were not adequately segregated. The following incompatible functions were all performed by the former Office Supervisor:</p> <ul style="list-style-type: none"> • received daily collections, cash register tapes, and Chameleon system records from the cashiers; • had the ability to record activity in the Chameleon system, including reversing of original collection entries; • prepared daily cash reports reflecting fees collected by type and animal identification number; • prepared deposits; and • had access to and maintained records relating to the above. <p>Without adequate independent checks, an individual performing the above incompatible duties is in the position to divert funds without timely detection. An accepted internal control principle is that individuals having physical control over assets should not also maintain the accounting records relating to those assets. (Performance of incompatible duties by the Office Supervisor was also identified in the City Auditor's Citywide Cash Controls Audit issued in August 2001.)</p>	<p>3. Key duties should be segregated among employees. For example, the employee (e.g., Office Supervisor) that receives and processes collections for deposit should not have the ability to record or change activity in the Chameleon system.</p>
<p>4. Cashiers were allowed to waive fees without review and approval of ASC management. There were no established policies or procedures specifying when waivers may be appropriate and the staff authorized to make them. Such circumstances increase the likelihood of inappropriate fee waivers and the ability to divert funds without timely detection.</p>	<p>4. Written internal policies and procedures that are being developed should address fee waivers, including when they are appropriate and what supervisory staff are authorized to review and approve such waivers. Chameleon system reports should be generated periodically (preferably weekly) showing all fee waivers. Those reports should be provided to and reviewed by ASC management to ensure adherence to established policy.</p>
<p>5. User access controls in the Chameleon system need to be improved so that there is individual accountability for activity recorded in the system. Specifically:</p> <ul style="list-style-type: none"> • Contrary to good control practices, user ID's and passwords accessing the Chameleon system were shared among employees. For example: (1) to facilitate access and work flow an employee sometimes used his/her user ID/password to access the system through several of the center's 13 terminals. Other employees then recorded activity and transaction on those terminals during the workday; (2) employees sometimes used a user ID/password assigned to another individual when accessing the Chameleon system. This included shared use of the user ID/password that provided system administrator 	<p>5. The ASC Manager is in the process of identifying employee assignments and duties for the purpose of determining and limiting the Chameleon applications (permissions) those employees should be allowed to process. Once those determinations are made, unique passwords should be assigned to employees that allow them to only process the applications pertinent to their assignments/duties. The concept of segregating incompatible duties should be considered during this process. (In regard to the system administrator privileges, corrective action was taken when the new ASC Manager requested ISS to assign that permission solely to himself.)</p>

<p>privileges. Individuals with system administrator privileges can establish and change system permissions of individual employees.</p> <ul style="list-style-type: none"> The Chameleon system does not currently have the capability to “timeout” after a set time passes without activity. Certain terminals through which Chameleon system was accessed were left on basically all the time (24 hours a day, 7 days a week), while other terminals were left on throughout the workday (i.e., shut down only at the end of each workday). Accordingly, there was a significant risk of unauthorized and improper recording of transactions and activity whenever employees were temporarily away from their workstations. Functionality (or “permissions”) within the Chameleon system was not adequately controlled or limited based on employee duties and assignments. For example, an employee that collected adoption and other revenues and processed/deposited collections had the capability to revise/reverse/update transactions and information entered into the system by other employees. Access to the Chameleon system was not timely denied to individuals after their employment termination through the deletion of their passwords and elimination of their permissions in the system. <p>Under these circumstances accountability for activity recorded in the Chameleon system is difficult to maintain. That difficulty can potentially reduce the effectiveness of the Chameleon system (1) as a control to ensure revenues are properly received, processed, and deposited and (2) as a management tool to monitor the center’s performance.</p>	<p>Employees should be instructed to not share their passwords and to only access the Chameleon system through terminals located at their workstations. In addition, when employees leave their assigned workstation for lunch, breaks, or the end of the workday, they should be instructed to close out of the system and/or lock their terminal so that other individuals cannot access the system.</p> <p>If the capability becomes available to “timeout” after a set time period passes without activity, that function should also be placed into operation.</p> <p>Procedures should also be established to immediately remove access of individuals upon their employment termination (whether voluntary termination or dismissal).</p> <p>Procedures established pursuant to the above should be incorporated into the center’s internal written policies and procedures. Because of the significant change in work operations these new procedures will entail, management in conjunction with ISS should provide appropriate training on these procedures to center staff.</p>
<p>6. Records should be maintained that justify and explain fee activity relating to adoptions. For transactions recorded in the Chameleon system involving adoption fees of \$21,900, documentation was not available to explain or justify why the transactions (collection entries) were reversed and/or fees were not reported on cash reports and deposited. Specifically, over the 37-month period June 1999 through June 2002, documentation was not available to explain why fees were not included on cash reports and deposited in the following:</p> <ul style="list-style-type: none"> 406 transactions where a \$50 adoption fee entered in the Chameleon system was subsequently reversed and re-entered at \$0. In 370 of those instances the related cash report showed a \$0 amount collected as an adoption fee for the respective animals. For the remaining 36 instances the related animal identification number did not appear on a cash report; 10 transactions where a \$50 adoption fee was entered into the Chameleon system but there was no fee shown on the cash report for the respective animals; 2 transactions where a \$50 adoption fee was reversed in the Chameleon system (but not re-entered at \$0) and no adoption fee was included on a cash report for 	<p>6. Written internal procedures that are being developed should require appropriate documented explanation for any instance in which a transaction is reversed and/or fees are not reflected on cash reports and deposited. Those procedures should specify when transaction reversals are appropriate, the staff authorized to make the reversals, and the staff authorized to review and approve such reversals. Management should review the Chameleon system and cash reports in a manner to identify such transactions for the purpose of verifying their propriety.</p>

<p>the respective animals; and</p> <ul style="list-style-type: none"> • 20 transactions where \$50 adoption refunds were requested and made, but the original adoption fee for which the refunds were made could not be traced to a cash report. 	
<p>7. Justification for refunds should be adequately documented. Our tests of 57 refunds requested by the former Office Supervisor and made for voided adoptions disclosed 12 instances where justification for the refund was not apparent based on available documentation and/or discussions with ASC staff and other individuals. These included:</p> <ul style="list-style-type: none"> • 4 instances where the adopting party indicated that the animals were not returned, that they never paid a fee, or that their original payment (check) had previously been refunded; • 2 instances where duplicate refund requests were made for the same animal return. For one of those instances, a refund request was allegedly made with petty cash and another was made through a City check. In the other instance, one refund request was allegedly made with petty cash and two additional refunds for that adoption were made through City check; and • 6 instances where available records did not adequately demonstrate that the persons for which refunds were requested had adopted the animals and paid a fee. For example, pet adoption contracts for these individuals were not available and/or the Chameleon system showed no clear evidence of adoption by those individuals. <p>For all of the above 12 instances, we were unable to determine the ultimate disposition of the monies requested for refunds.</p>	<p>7. Procedures that are being developed should specify and standardize the process for justifying and documenting refunds in the Chameleon system and on pet adoption contracts. Furthermore, those procedures should require the completion of pet adoption contracts for each adoption (regardless of the adopting party). ASC staff should be trained on these revised procedures.</p>
<p>8. The former ASC Office Supervisor often made cash refunds from cash collections. In addition, management staff at the Department of Neighborhood and Community Services (NCS) approved refund requests prepared by the former ASC Office Supervisor. Documentation was not available to show that those refund requests were approved by the ASC Manager employed during those dates.</p> <p>Cash refunds are more susceptible to abuse or fraud when compared to refunding fees through check requests resulting in City checks made payable directly to the applicable individual. Also, review and approval of refund requests by management staff at ASC, instead of by NCS staff, is more likely to detect erroneous and unauthorized refund requests due to ASC management's familiarity with center activity.</p>	<p>8. The new ASC Manager initiated timely corrective action to stop the practice of making cash refunds. Procedures were revised such that all adoption refunds must now be made through a request for a City check made payable to the applicable individual. In addition, ASC management now approves each refund request prepared by staff.</p> <p>These revised procedures should be incorporated into the center's internal written policies and procedures being developed by the new ASC Manager.</p>

<p>9. Collections were not always deposited intact. Our tests of cash register tapes, cash reports, and deposit records for the period May 16, 2002, through June 8, 2002, showed that for seven working days the composition of collections per the cash register tapes did not agree to the composition of collections deposited (e.g., cash per tapes did not agree to cash deposited and checks per tape did not agree with checks deposited). While documentation was not available to explain the differences, ASC staff did indicate that employees were allowed to cash personal checks out of daily cash collections. In addition, we noted one instance where the amount of the deposit was less than the amounts that should have been deposited per the Chameleon system receipts.</p> <p>Requiring intact deposits makes inappropriate (fraudulent) schemes involving the substitution of funds from one source to cover a diversion of other funds (cash) difficult to perform.</p>	<p>9. The new ASC Manager and interim Office Supervisor initiated timely corrective action in regard to this issue as collections are now deposited intact. In addition, the cash reports were revised to clearly document total collections by category (cash, checks, and credit card), thereby facilitating management's ability to ensure the intact deposit of collections.</p> <p>The required intact deposit of collections should be incorporated into the internal policies and procedures being developed by the new ASC Manager. Those procedures should also specify that personal checks will not be cashed out of ASC daily cash collections. ASC staff should be made aware of and trained in these new procedures.</p>
<p>10. Collected fees were not always timely deposited. We tested 64 daily cash reports from the period August 2001 through May 2002 to determine how long funds were held prior to deposit. The average period that collections were held prior to deposit was almost six days. Collections on 15 of those reports (23%) were held longer than a week (8 to 12 days). The untimely deposit of collections increases the exposure of collections to loss or diversion. (This issue was also identified in the City Auditor's Citywide Cash Controls Audit issued in August 2001.)</p>	<p>10. The new ASC Manager has initiated corrective actions. Our review of activity subsequent to the start of our fieldwork in August 2001 showed collections are now timely processed, thereby allowing deposits to be ready at the time of the Loomis-Fargo pick-up (armored bank courier) twice a week.</p> <p>The requirement for timely deposits should be incorporated into the center's written internal policies and procedures.</p>
<p>11. Transactions and activity were not consistently and properly recorded in the Chameleon system. Specifically:</p> <ul style="list-style-type: none"> • Although the system allows a history of an animal to be recorded and retained based on the animal's assigned identification number, staff often (1) overwrote previous data on an animal when the animal's status changed, thereby erasing the original data and status from the system, and (2) assigned an animal more than one identification number when the initial adoption was voided and/or the animal returned to the center. Overwriting (erasing) data (transactions and events such as previous adoptions) as well as assigning different identification numbers to the same animal makes it difficult to determine and track the history of an animal. That, in turn, makes it difficult for management to use the system as a tool to determine and review performance and to ensure that revenues are properly collected, processed, and deposited. • Instances were noted where the recorded disposition of animals in the Chameleon system was inaccurate based on available records and discussions with ASC staff. Specifically, in our test of refunds for adoption fees we identified five instances where the status of the applicable animal was "adopted." That status implied that the person to whom the refund was made still had the animal. Yet, discussions with ASC staff or other records indicated that the Chameleon system had not been updated in these instances to reflect the 	<p>11. Management should implement procedures that require the proper and consistent recording of transactions and events in the Chameleon system. Those procedures should provide for the use of a single identification number for an animal throughout its relations with the ASC, the recording of activity in a manner that retains historical data within the system, and the consistent use of available animal dispositions.</p> <p>Because this will represent a significant change in the manner that transactions and events have traditionally been recorded, management should ensure that applicable employees receive proper training under the revised process.</p> <p>In addition, the proper process for recording activity in the Chameleon system should be incorporated into the center's internal written policies and procedures.</p>

<p>animals' final disposition (e.g., animal returned and re-adopted or euthanized).</p>	
<p>12. Existing controls did not provide accountability for donations received on behalf of TREATS. ASC staff accepts donations made with cash, check, or credit cards. Only those donations made by credit card were consistently reflected on the daily cash reports. While a standard TREATS receipt form was available to issue for donations, those receipts were not pre-numbered or otherwise used to maintain accountability over the donations.</p> <p>The lack of a standard method for recording and documenting all TREATS donations limits management's ability to ensure that all donations are properly remitted to the TREATS organization.</p>	<p>12. Rather than ASC staff directly accepting donations on behalf of TREATS, management should encourage TREATS to place a lock box at the ASC for individuals to deposit their donations. If that alternative is elected, ASC employees that are not authorized TREATS representatives should not have access to the lock box contents.</p> <p>If management elects to allow ASC staff to continue accepting donations, a standard method/procedure should be developed for recording and documenting each donation received. An example would be multi-copy pre-numbered receipts for which one copy is provided to the donor and the other copy (copies) used as a management tool for verifying the disposition of the donations.</p> <p>The alternative selected should be incorporated into the ASC written internal policies and procedures. Staff should be trained on those procedures.</p>
<p>13. There were no independent verifications (reconciliations) of collection activity recorded in the Chameleon system to collections processed and deposited. Such verifications by persons not receiving or processing fees provide a means to ensure that collections are properly deposited. Similarly, there were no independent verifications (reconciliations) of euthanizations per the Chameleon system to euthanizations recorded on the euthanization log retained in the animal processing section of the ASC. Had these verifications been performed, the weakness described above where adoption fees did not trace to cash reports and deposits would have been timely identified. (The lack of documented independent verifications was also addressed in the City Auditor's Citywide Cash Controls Audit issued in August 2001.)</p>	<p>13. Subsequent to the end of our fieldwork, the new ASC Manager commenced designing and generating reports for purposes of independently verifying the proper disposition of collections.</p> <p>Those reports should be used by staff independent of the collection and deposit function to periodically reconcile collection activity recorded in the Chameleon system to records (validated deposit slips) evidencing amounts deposited. That staff should also periodically reconcile the euthanizations recorded in the Chameleon system to the euthanizations recorded on the log maintained in the animal processing section. Those reconciliations should be documented.</p> <p>The center's internal written policies and procedures should include those independent reconciliations.</p>
<p>14. Cash register tapes for the period August 1999 through May 15, 2002, were not available. Staff was not able to determine the disposition of those records. Custody of those tapes was under the control of the former Office Supervisor, whose City employment was terminated in June 2002. In addition to providing cashiers a means to balance their daily collections, cash register tapes enable independent verifications that funds collected are properly processed and deposited intact.</p>	<p>14. All collection related records, including cash register tapes, should be retained in accordance with the City's record retention requirements. The written internal policies and procedures being developed at the ASC should incorporate those record retention requirements.</p>

Information and Communications

Information should be communicated to management and others who need it and in a form and within a time frame that enables them to carry out their responsibilities. Information needs to be relevant, reliable, and timely communicated.

Issue	Recommendation
<p>1. Information in the Chameleon system was not reliable. Areas where data was not accurate, complete, or substantiated related to:</p> <ul style="list-style-type: none"> • animal dispositions; • receipt information; and • historical activity. 	<p>1. As previously recommended under Control Activities, processes should be developed that provide for the consistent and proper recording of activity and transactions in the Chameleon system.</p>
<p>2. Periodic reports enabling independent verifications that collected fees were properly processed and deposited were not generated from the Chameleon system and reviewed by ASC and department management.</p>	<p>2. Subsequent to our audit fieldwork, the ASC Manager commenced the development of reports that will enable independent and managerial reviews.</p> <p>ASC and department management, with the assistance of ISS as needed, should complete development of those reports. Those reports should be generated periodically from the Chameleon system and used by management and independent staff to review activity, including fee collections. Such reports should reflect, for example, all animal dispositions (adoptions, foster adoptions, claimed by owner, etc.) for a given period and the associated fee (or reason for no fee when applicable) for each animal. Both summary and detail reports should be produced and distributed. ASC and department staff/management should be trained in how to review and analyze those reports for the purpose of ensuring collections are properly processed/deposited and center activity is reasonable and in accordance with expectations.</p>
<p>3. There was no regular and efficient back up of the Chameleon database. It was Information Systems Services' (ISS) understanding that ASC was responsible for backing up the Chameleon. During our review, we determined that the backups were not occurring. Although ISS determined that the Chameleon database could be re-created in the event of a major system failure, the recreation of the database under that process requires much more effort and resources when compared to a routine backup application that was available but not used.</p>	<p>3. The Chameleon database should be routinely backed up using the most efficient and economical approach. Upon determination that the available backup application was not being used, ISS immediately commenced backing up the database on a periodic basis. That process currently must be done manually. Upon implementation of the new City server, ISS plans to completely automate that backup process such that manual intervention is not required.</p>

Monitoring

Monitoring should occur in the course of normal operations. A variety of controls should be in place to check accuracy, completeness, and authorization of transactions.

Issue	Recommendation
<p>1. Prior to the hiring of the new ASC Manager, limited monitoring was provided by ASC management. Based on the amount of unaccounted for revenues or lack of documentation thereof, the former ASC Manager did not</p>	<p>1. Management should perform on-going and periodic monitoring of financial activity and operations at the ASC. Monitoring should include, for example:</p>

<p>appear to monitor the reasonableness of adoption or other activity entered into the Chameleon system and the amounts collected and deposited.</p>	<ul style="list-style-type: none"> • receipt and analysis of periodic Chameleon system reports and PeopleSoft financial system reports reflecting revenue and deposit activity; • periodic on-site visits that entail walk-throughs of center operations and discussions with all levels of ASC staff; and • timely follow-up on all instances where concerns are noted.
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Conclusion

In summary, controls in place under former ASC management did not ensure fees were properly received, safeguarded, deposited, and accounted for in ASC records. Those controls also did not ensure that refunds of fees were always proper and authorized. A need to establish and implement improved internal controls over revenues and collections at the ASC was identified by City management. Our review showed that actions should be taken to provide reasonable assurance that:

- Revenues and related activity are properly and accurately reflected in the ASC Chameleon system, cash reports, and deposit records;
- Fees are charged and collected when appropriate;
- Collected fees are safeguarded and timely deposited;
- Refunds are proper, authorized, and adequately documented;
- ASC staff are trained and are aware of and understand their roles and responsibilities; and
- Risks are continually assessed, evaluated, and acted on.

Actions to establish and implement such controls have been initiated under the guidance of the new ASC Manager. Specific recommendations have been made within this report to assist the ASC Manager in this endeavor. Management’s planned actions based on these recommendations are provided in Appendix A of this report.

We commend City and ASC management in recognizing that issues existed and initiating actions to resolve and remedy those issues. We would also like to acknowledge the cooperation and support of the current ASC Manager and staff and the cooperative and professional relationship that existed with TPD during this audit.

Appointed Official’s Response

City Manager’s Response:

The ability to ensure the City’s financial assets are safe and secure is certainly a priority of the City Manager’s Office. I appreciate the work and recommendations of the Auditing staff as it relates to this audit. There has been positive progress in addressing the initial action plan steps, and a schedule is in place to complete the other action steps before June 30, 2004.

Copies of this Report #0313 (project #0215) may be obtained from the City Auditor’s web site (<http://talgov.com/citytlh/auditing/index.html>), or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (dooleym@talgov.com).

Audit conducted by:
 T. Bert Fletcher, CPA, Audit Manager
 Sam M. McCall, CPA, CIA, CGFM, City Auditor

APPENDIX A – ACTION PLAN

Action Steps	Responsible Employee	Target Date
A. Animal Service Center		
A. Objective: Improve the control environment at the ASC.		
1.	All ASC Employees will complete scheduled City training in ethical behavior and expectations.	Jan Collier 12/31/03
2.	Complete and comprehensive written procedures will be developed for the revenue operations at the ASC. Those procedures will incorporate the methods and processes as addressed in the following action plan steps.	Alfreda Mathis Pat Simmons 3/31/04
B. Objective: Enhance cashier controls at the ASC.		
1.	ASC management will consult with the Treasurer-Clerk's Revenue Office to determine whether the planned CORE system can be implemented in a manner that will allow ASC revenue transactions to be identified to a specific cashier through unique passwords. If that is determined to be a reasonable and cost-beneficial alternative, each cashier will be assigned a unique password for entry of transactions into the CORE system (i.e., upon implementation of that system at the ASC).	Alfreda Mathis 3/31/03
2.	If ASC management determines it is not cost-beneficial or reasonable to implement the CORE system in a manner that allows transactions to be identified to each cashier through unique passwords (see Step B.1 above), ASC management will consider obtaining a cash register with the technology that allows each cashier to protect his/her transaction key through unique passwords that must be entered in the register to record a transaction.	Alfreda Mathis 4/30/03
3.	Regardless of the method used (i.e., CORE system or cash register as described in steps B.1 and B.2 above), each cashier will be assigned a unique password and instructed to not share the password with other individuals.	Alfreda Mathis 4/30/03
C. Objective: Safeguard collections at the ASC.		
1.	The requirements that (1) the safe be locked when not in use and (2) the room in which the safe is located be locked when unattended will be incorporated into the written procedures developed pursuant to Step A.2 above.	Alfreda Mathis Pat Simmons 3/31/04
D. Objective: Enhance system controls at the ASC and segregate incompatible duties.		
1.	The Office Supervisor (or any employee that receives and processes collections for deposit and prepares daily cash reports) will no longer have permissions that allow the recording or altering of activity in the Chameleon system.	Dr. Gilles Meloche Completed (2/6/03)
2.	ASC management will complete review of individual employee job assignments for the purpose of determining what Chameleon system permissions are necessary for those employees to perform their job duties.	Dr. Gilles Meloche Sabrina Holloman (ISS) 3/31/03

Action Steps		Responsible Employee	Target Date
3.	After the review pursuant to step D.2 above is completed, each employee will be assigned a unique Chameleon system password that limits (to the extent possible) his/her system permissions to those needed to perform assigned job duties.	Dr. Gilles Meloche Sabrina Holloman (ISS)	4/30/03
4.	Employees will be instructed to not share their Chameleon system passwords with other individuals.	Dr. Gilles Meloche Sabrina Holloman (ISS)	3/31/03
5.	Each employee will be assigned a specific terminal(s) through which they shall access the Chameleon system. The employees will be instructed to only access the system through their designated terminal(s).	Dr. Gilles Meloche Sabrina Holloman (ISS)	4/30/03
6.	Employees will be instructed to close out of the Chameleon system or lock their terminals when they are away from their assigned workstation due to lunch, breaks, or the end of the work day.	Dr. Gilles Meloche Sabrina Holloman (ISS)	3/31/03
7.	The written procedures developed pursuant to step A.2 above will address (1) limitation of employee system permissions to those necessary to perform job assignments, (2) requirements that employee access passwords not be shared with other individuals, (3) requirement that employees access the system through designated terminals, and (4) requirement to close out of the Chameleon system and/or lock terminals when employees are away from their assigned workstations.	Alfreda Mathis Pat Simmons	3/31/04
8.	ASC Management, in conjunction with ISS, will follow up with the Chameleon system vendor to ascertain whether the capability for the system to "timeout" will become possible in the future. If that capability becomes available, the timeout function will be placed into operation.	Dr. Gilles Meloche Sabrina Holloman (ISS)	3/31/03
9.	Written procedures developed pursuant to step A.2 above will provide that Chameleon system access will be immediately denied upon an employee's termination of employment at the ASC. That denial will be accomplished through deletion of the employee's passwords and system permissions.	Alfreda Mathis Pat Simmons	3/31/04
E. Objective: Improve controls in recording of transactions and activity.			
1.	The written procedures developed pursuant to step A.2 above will address fee waivers, including (1) in what circumstances they are appropriate and (2) which employees are authorized to review and approve waivers.	Alfreda Mathis Pat Simmons	3/31/04
2.	Written procedures developed pursuant to step A.2 above will require appropriate documentation to justify all transactions recorded in the Chameleon system. This will include, for example, documentation and explanation for any reversals of transactions.	Alfreda Mathis Pat Simmons	3/31/04
3.	Written procedures developed pursuant to step A.2 above will specify and standardize the process for justifying and documenting refunds in the Chameleon system and on pet adoption contracts.	Alfreda Mathis Pat Simmons	3/31/04

Action Steps		Responsible Employee	Target Date
4.	Written procedures developed pursuant to step A.2 above will require the execution of pet adoption contracts for each animal adoption, regardless of the adopting party.	Alfreda Mathis Pat Simmons	3/31/04
5.	Written procedures developed pursuant to step A.2 above will include the established requirements that adoption refunds (1) be made through City check request and not from cash funds at the ASC and (2) be approved by ASC management.	Alfreda Mathis Pat Simmons	3/31/04
6.	Transactions will be consistently and properly recorded in the Chameleon system. The written procedures developed pursuant to step A.2 above will address that requirement. Among other things, those procedures will require (1) that a single identification number be assigned to an animal throughout its contacts with the ASC, (2) that activity be recorded such that all historical data is retained within the system, and (3) consistent and proper use of available animal dispositions (e.g., adopted, fostered, claimed by owner, released, transferred, euthanized).	Alfreda Mathis Pat Simmons	3/31/04
F. Objective: Ensure timely deposit of collections.			
1.	Written procedures developed pursuant to step A.2 above will include the established requirements that collections be deposited (1) intact and (2) timely.	Alfreda Mathis Pat Simmons	3/31/04
2.	Written procedures developed pursuant to step A.2 above will provide that personal checks may not be cashed out of ASC funds.	Alfreda Mathis Pat Simmons	3/31/04
G. Objective: Improve controls over donations.			
1.	ASC management will consider using a lock box at the ASC for individuals to place donations for TREATS. If that alternative is determined reasonable, ASC employees that are not authorized TREATS representatives will not be allowed access to the lock box contents.	Pat Simmons	6/30/03
2.	If use of lock box for TREATS donations is determined not to be reasonable, a standard method and procedure will be developed for accepting, recording, processing, and documenting TREATS donations. The process selected will allow staff independent of the collection process to verify the disposition of accepted donations.	Pat Simmons	6/30/03
3.	The written procedures developed pursuant to step A.2 above will incorporate the method and process determined appropriate for receipt of TREATS donations as addressed in steps G.1 and G.2.	Alfreda Mathis Pat Simmons	3/31/04
H. Objective: Provide independent managerial verifications.			
1.	ASC management will complete the design of Chameleon system reports that reflect revenue and non-revenue activity.	Alfreda Mathis	6/30/03
2.	The revenue activity reports developed pursuant to step H.1 will be generated periodically (weekly or monthly) and used by ASC management to reconcile collection amounts per the system to amounts deposited per cash deposit records.	Alfreda Mathis	6/30/03

Action Steps		Responsible Employee	Target Date
3.	ASC management will periodically reconcile euthanizations recorded in the Chameleon system to the euthanizations recorded on the log maintained in the animal processing section.	Lorraine Mitchell	6/30/03
4.	ASC management will review the non-revenue activity (e.g., animal disposition such as foster adoptions, euthanizations, releases, and transfers), fee waivers, and reversed/revised transactions per the periodic Chameleon system reports for reasonableness and compliance with established procedures.	Pat Simmons	6/30/03
5.	The written procedures developed pursuant to step A.2 above will address the generation of Chameleon activity reports and independent (managerial) reconciliations/verifications noted in steps H.1 through H4.	Alfreda Mathis Pat Simmons	3/31/04
I. Objective: Ensure retention of records.			
1.	The written procedures developed pursuant to step A.2 above will require that all collection related records, including cash register tapes, be retained in accordance with City record retention requirements. Those records will be retained and safeguarded in a secure location.	Alfreda Mathis Pat Simmons	3/31/04
J. Objective: Train staff on revised methods, processes, and procedures.			
1.	Due to the significant changes that are being and will be made in ASC operations pursuant to the above action plan steps, ASC management will provide appropriate training to ASC staff on the revised methods, processes, and procedures.	Jan Collier	6/30/04
B. Information Systems Services			
A. Objective: Regularly and efficiently back up Chameleon database.			
1.	Upon implementation of the new City server, the process for regularly backing up the Chameleon system database will be fully automated.	Sabrina Holloman	Completed (2/13/03)
C. Safety and Neighborhood Services			
A. Objective: Assess risks periodically.			
1.	The Assistant City Manager and Department Director of NCS will ensure that trained staff (other than ASC staff) periodically visits the ASC and reviews operations and programs, interviews ASC staff, and analyzes activity for the purpose of identifying risks and means to mitigate those risks.	Wanda Whitehead	6/30/03