

Audit

Follow Up

As of March 31, 2004



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

(Report #0313, Issued March 13, 2003)

Report #0415

June 29, 2004

Summary

Management of the Animal Service Center (ASC) has completed 20 of the 26 action plan steps due for completion as of March 31, 2004. Remaining steps pertain to the development of written policies for certain ASC operations and activities (e.g., general cash management, refunds of fees, software system controls). Even though written policies are not finalized in those areas, controls and processes within those areas are now generally adequate. Policies for other ASC operations and activities (e.g., adoptions, donations, euthanizations, cash register and business safe procedures) have already been finalized. Overall, controls and processes have been improved significantly at the ASC.

Action plan steps developed as part of our previously issued audit report #0313, Audit of the Tallahassee-Leon Community Animal Service Center – Revenue Controls, are critical to a control structure that ensures accountability for and safeguarding of ASC revenues. The lack of proper and adequate controls in the past contributed to revenues in excess of \$20,000 not being deposited or otherwise accounted for by the ASC.

Some of the more significant action steps completed to date include: (1) acquisition and implementation of a cash register that provides accountability by cashier, (2) restricting employee permissions (capabilities) within the ASC Chameleon software system to those needed to perform assigned job duties, (3) changing the Office Supervisor's assignments to comply with the control principle of segregating incompatible job duties, (4) managerial review of

activity reports, (5) implementing a lock box system for public donations, and (6) finalization of written policies relating to adoptions, fostering and transferring animals, donations, euthanasia, and cash register and business safe procedures.

Critical action steps in the process of being completed include finalization of written policies and procedures for certain areas, to include: (1) general cash management, (2) certain Chameleon system activities, (3) refunds of fees, and (4) returning animals to owners.

ASC management indicated that recent staffing issues (e.g., turnover and vacancies in critical positions) and workload have precluded the finalization and implementation of the remaining policies and procedures. Management within the Department of Neighborhood and Community Services indicated that assistance is being provided to the ASC to complete the remaining tasks. We will review the department's success in these remaining areas in our subsequent follow-up engagements.

Scope, Objectives, and Methodology

Report #0313

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

- adoption fees and other revenues were properly charged and collected;
- revenues and related activity were properly accounted for in the center's records;

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

The audit was conducted as 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. Accordingly, an ancillary objective of our engagement was to provide investigative assistance to TPD. Subsequent to the completion of our audit and an investigation by TPD, the former Office Supervisor was arrested. That individual was tried in county court and found guilty of a misdemeanor involving theft of City funds.

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

Report #0415

This is our second follow up on action plan steps identified in audit report #0313. In our first follow up we reported on progress and/or status of efforts to implement action plan steps due as of September 30, 2003. The purpose of this second

follow up is to report on the progress and/or status of the efforts to complete action plan steps due as of March 31, 2004, including those initially due as of September 30, 2003. To obtain information, we conducted interviews with key department staff and reviewed relevant documentation.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards and the Standards for the Professional Practice of Internal Auditing, and accordingly included such tests of the records and other auditing procedures as were considered necessary.

Previous Conditions and Current Status

In report #0313, we identified issues that needed to be addressed by the ASC in order to establish a proper control environment and structure for revenues. These issues included, for example, training ASC employees in ethical behavior and expectations, periodically assessing risks, implementing adequate internal controls, preparing reports, and monitoring of activity and operations by management. Twenty-seven action plan steps were developed to address identified risks. All but one of those action steps were due for completion as of March 31, 2004. Twenty of the 26 steps due as of that date have been completed. Action has been initiated to complete the remaining six steps, all of which pertain to the development of written procedures regarding certain ASC revenue-related operations. Table 1 provides a summary of the 26 action plan steps due as of March 31, 2004, and their status.

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

Action Plan Steps	Current Status
<i>Improve the control environment at the ASC</i>	
<ul style="list-style-type: none"> • Complete and comprehensive written procedures will be developed for the revenue operations at the ASC. 	<ul style="list-style-type: none"> ◆ ASC management has developed various policies and procedures for ASC operations. Other policies and procedures are in the process of being developed and implemented. These comprehensive policies address (or will address) operational areas as well as revenue administration within those areas. Completed policies and procedures include: <ul style="list-style-type: none"> ○ Cash Register and Business Safe Policy, ○ Adoption Policy, ○ Foster Policy, ○ Transfer Policy, ○ TREATS Donation Policy, ○ Euthanasia Policy, and ○ Voluntary Veterinary Service Policy. Other policies currently being developed will address: <ul style="list-style-type: none"> ○ General cash management; ○ Chameleon system activity, such as controlling and limiting access, using unique numbers to track animals, changing recorded activity (e.g., reversing transactions), etc.; ○ Refunds of fees; and ○ Procedures for returning animals to owners, including related boarding fees.
<ul style="list-style-type: none"> • All ASC employees will complete scheduled City training in ethical behavior and expectations. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<i>Enhance cashier controls at the ASC</i>	
<ul style="list-style-type: none"> • If other alternatives are not available (i.e., using the planned City cashiering system, known as “CORE”), ASC management will consider obtaining a cash register with the technology that allows each cashier to protect his/her transaction key through unique passwords that must be entered in the register to record a transaction. 	<ul style="list-style-type: none"> ✓ ASC purchased a new cash register that requires each cashier to enter his/her unique numeric code in order to record and process a transaction. The new cash register generates daily reports that not only total fees/collections by category (e.g., adoptions and impoundments), but also total collections by cashier. The cash register is being properly used and daily collection reports are being produced. Those reports allow management to determine accountability for funds in the event of a loss or diversion.
<ul style="list-style-type: none"> • Each cashier will be assigned a unique password for entering transactions in the new cash register and instructed to not share the password with others. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

Safeguard collections at the ASC	
<ul style="list-style-type: none"> Written procedures will provide that (1) the safe be locked when not in use and (2) the room in which the safe is located will be locked when unattended. 	<ul style="list-style-type: none"> ✓ The recently completed “Cash Register and Business Safe Policy” provides that the safe and business office will be locked at all times when not in use and unattended. The policy also restricts access to the business office and safe to authorized staff. During our fieldwork we noted that both the safe and business office were locked when not in use and unattended.
Enhance system controls at the ASC and segregate incompatible duties	
<ul style="list-style-type: none"> The Office Supervisor that receives and processes collections for deposit and prepares daily cash reports will no longer have permissions that allow the recording or changing of activity in the Chameleon system. (Note – this action is needed to segregate incompatible duties that were performed by the former Office Supervisor.) 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> ASC management will complete a review of individual employee job assignments for the purpose of determining what Chameleon system permissions are necessary for those employees to perform their job duties. After the review is completed, each employee will be assigned a unique Chameleon system password that limits his/her system permissions to those needed to perform assigned job duties. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Employees will be instructed to not share their Chameleon system passwords with other individuals. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Each employee will be assigned a specific terminal(s) through which they shall access the Chameleon system. The employees will be instructed to only access the system through their designated terminal(s). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Employees will be instructed to close out of the Chameleon system or lock their terminals when they are away from their workstation due to lunch, breaks, or the end of the work day. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> ASC management, in conjunction with ISS, will follow up with the Chameleon system vendor to ascertain whether the capability for the system to “timeout” is available or expected to become available. In the event it is available, that function will be placed into operation. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Written procedures will be developed to address Chameleon system controls, to include: (1) proper limitation of employee system permissions, (2) not sharing system passwords, (3) accessing the system only through designated terminals, (4) closing out of the system and/or locking terminals when workstations are unattended, and (5) immediately deleting system access for employees upon their termination of employment. 	<ul style="list-style-type: none"> ◆ As noted above, steps have been taken to implement the applicable controls. As also noted in the first step within this table, management is in the process of developing a Chameleon system policy that will address these controls.

Improve controls in recording of transactions and activity	
<ul style="list-style-type: none"> Written procedures will be developed to address (1) fee waivers, (2) required documentation to justify all Chameleon system transactions (e.g., transaction reversals), (3) standardization and processes for fee refunds, and (4) consistent and proper recording of transactions in the Chameleon system (i.e., to include use of a single identification number for an animal throughout its contacts with ASC, proper and consistent use of animal dispositions, and retention of historical data). 	<ul style="list-style-type: none"> As noted in the first step within this table, management has developed policies that address the consistent and proper recording of activity in the Chameleon system for adoptions, fostering and transfers of animals, euthanizations, etc. Fee waivers are addressed as applicable within those individual policies. In addition, other policies are being developed to address the other noted areas (e.g., recording activity and transactions for animals returned to their owners, refunds, and use of a single system identification number for an animal throughout its contact with the ASC).
<ul style="list-style-type: none"> Written procedures will be developed to require execution of pet adoption contracts for each animal adoption, regardless of the adopting party. 	<ul style="list-style-type: none"> For each animal adopted, the Adoption Policy developed and implemented by the ASC requires that a pet adoption application and contract be completed by the adopting party (including ASC employees and volunteers).
Ensure timely deposit of collections	
<ul style="list-style-type: none"> Written procedures will be developed to require that collections be deposited intact and timely. 	<ul style="list-style-type: none"> As noted in the first step within this table, management is developing a cash management policy that will include, among other things, a requirement to deposit collections intact and timely.
<ul style="list-style-type: none"> Written procedures will be developed to provide that personal checks may not be cashed out of ASC collections. 	<ul style="list-style-type: none"> The recently completed "Cash Register and Business Safe Policy" provides that personal checks may not be cashed out of ASC collections.
Improve controls over donations	
<ul style="list-style-type: none"> ASC management will consider using a lock box at the center for individuals to place donations for TREATS (the non-profit organization that accepts public donations that may be used for the benefit of the ASC). 	<ul style="list-style-type: none"> Completed during prior period.
<ul style="list-style-type: none"> Written procedures will be developed that incorporate the method and process for TREATS donations. 	<ul style="list-style-type: none"> As noted in the first step within this table, a comprehensive TREATS Policy has been developed and implemented for TREATS donations. Among other things, that policy addresses the use of the lock box and processing of donations made by personal credit cards.

Provide independent managerial verifications	
<ul style="list-style-type: none"> ASC management will complete the design of Chameleon system reports that reflect revenue and non-revenue activity. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Revenue activity reports generated pursuant to completion of the preceding action step will be used by ASC management to reconcile collection amounts per the Chameleon system to amounts deposited based on cash deposit records. This step will serve to ensure that funds are properly processed and deposited by those employees handling collections (e.g., cashiers and the Office Supervisor). 	<ul style="list-style-type: none"> ✓ ASC management now reviews and compares Chameleon revenue reports to amounts collected and deposited based on cash register tapes and cash deposit records prepared by the Office Supervisor. Any differences are researched and verified by ASC management as part of this process. Corrections are made only after the underlying reasons (e.g., errors or mistakes) have been identified and verified as to validity and propriety.
<ul style="list-style-type: none"> ASC management will periodically reconcile euthanizations recorded in the Chameleon system to euthanizations recorded on the log maintained in the animal processing section. 	<ul style="list-style-type: none"> ✓ As noted in the first step within this table, ASC management has developed a euthanization policy. That policy provides for the periodic reconciliation of the euthanasia log to euthanizations recorded in the Chameleon system. Staff started completing these reconciliations in May 2004.
<ul style="list-style-type: none"> ASC management will review the non-revenue activity (e.g., animal disposition such as foster adoptions, euthanizations, releases and transfers), fee waivers, and reversed/revised transactions per the periodic Chameleon system reports for reasonableness and compliance with established procedures. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Written procedures will be developed to address the independent (managerial) reconciliations/verifications noted in the three preceding action steps. 	<ul style="list-style-type: none"> ◆ As noted in the first step within this table, written policies have been (e.g., euthanasia policy) and are being developed that will address, among other things, these reconciliations and verifications.
Ensure retention of records	
<ul style="list-style-type: none"> Written procedures will be developed to require that all collection related records, including cash register tapes, be retained in accordance with City record retention requirements. Those records will be retained and safeguarded in a secured location. 	<ul style="list-style-type: none"> ◆ As noted in the first step within this table, written policies are being developed that will address, among other things, the required retention and safeguarding of records. During our follow up fieldwork, all requested records had been properly retained and secured.
Regularly and efficiently back up Chameleon database	
<ul style="list-style-type: none"> Upon implementation of the new City server, the process for regularly backing up the Chameleon system database will be fully automated. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Assess risks periodically	
<ul style="list-style-type: none"> The Assistant City Manager and the Director of the Department of Neighborhood and Community Services (NCS) will ensure that trained staff periodically visits the ASC and reviews operations and programs, interviews ASC staff, and analyzes activity for the purpose of identifying risks and means to mitigate those risks. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

Table Legend:

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| <ul style="list-style-type: none"> • Issue addressed in the original audit | <ul style="list-style-type: none"> ✓ Issue addressed and resolved |
| | <ul style="list-style-type: none"> ◆ Issue in process of being resolved |

Significant Outstanding Issues

As described in Table 1 above, ASC management has been successful in completing the majority of the action plan steps that were due to date. Remaining actions to be taken include:

- Finalizing the development of comprehensive written policies that address all aspects of ASC revenue operations and activities. (Written policies for many areas have already been completed.)
- Training employees on new policies and procedures as developed and implemented (an on-going process that has been initiated).

Conclusion

ASC management has been responsive to initiating actions necessary to establish a good control environment and structure. ASC management indicated that recent staffing issues (e.g., turnover and vacancies in critical positions) and workload have precluded the finalization and implementation of the remaining policies and procedures. Management within

the Department of Neighborhood and Community Services indicated that assistance is being provided to the ASC to complete the remaining tasks. We will review the department's success in these remaining areas in our subsequent follow-up engagements.

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

Response from Appointed Official

City Manager Response:

I am pleased to see the progress that has been made on this action plan. I appreciate the cooperative approach that was taken by the City Auditor's staff in making recommendations that will improve our procedures and better protect the City. I want to thank Dr. Meloche and his staff for developing comprehensive policies and procedures in addressing these action plan steps. The majority of the action plan steps have been completed and staff has developed a timeline to complete the remaining six action plan steps before the end of the year.

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

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