

# **Audit**

## **Follow Up**

**As of September 30, 2003**



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### **“Tallahassee-Leon Community Animal Service Center – Revenue Controls” (Report #0313, Issued March 13, 2003)**

**Report #0407**

**December 22, 2003**

#### **Summary**

**Management of the Animal Service Center (ASC) has completed 12 of the 15 action plan steps due for completion as of September 30, 2003. Significant progress has been made in implementing two of the remaining three action steps due for completion as of that date, and appropriate planning is being done for the last action step that was due. An additional action plan step that was not due for completion as of September 30, 2003, has also been completed. These action plan steps were developed as part of our previously issued audit report #0313, Audit of the Tallahassee-Leon Community Animal Service Center – Revenue Controls. Actions completed and to be completed are critical to providing 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 can provide 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, and (5) implementing a lock box system for public donations.

Critical action steps in the process of being completed include: (1) independent verification by ASC management that amounts deposited agree with Chameleon system revenue reports and (2) generating daily cash register tapes that account for collections by cashier.

Action steps not due for completion (and not yet completed) as of September 30, 2003, include the development of comprehensive written policies and

procedures that address all aspects of ASC revenue operations. These policies and procedures are to address, for example, safeguarding ASC funds, the cashing function, restricting and controlling access to the Chameleon system, fee waivers, documentation and record retention requirements, refunds, and recording of transactions. ASC management is actively in the process of developing and finalizing such procedures. Once finalized, training on the procedures is to be provided to ASC staff.

The successful completion of all planned action steps is crucial to provide a control structure that will timely detect unauthorized diversions and any inadequate accounting for ASC funds. We recommend that ASC management continue their efforts to timely complete the remaining action plan steps. We will report on those efforts in our subsequent follow up work at the ASC.

#### **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. ASC management has made significant progress in implementing corrective controls to account for revenues currently received by the ASC.

**Report #0407**

The purpose of this audit follow up is to report on the progress and/or status of the efforts to complete the recommended action plan steps 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, and monitoring of activity and operations by management. Thirty-two action plan steps were developed to address identified risks. Sixteen of those steps were due as of September 30, 2003 and/or were completed as of that date. Table 1 provides a summary of those sixteen action plan steps and their status.

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

Action Plan Steps	Current Status
<b>Improve the control environment at the ASC</b>	
<ul style="list-style-type: none"> <li>All ASC employees will complete scheduled City training in ethical behavior and expectations.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Even though not due for completion this follow up period, the majority of ASC staff have attended the City training in ethical behavior and expectations. As of October 8, 2003, 23 of the 26 ASC employees had attended the training. The three employees that have not yet attended are recent hires and are being scheduled for the training.</li> </ul>
<b>Enhance cashier controls at the ASC</b>	
<ul style="list-style-type: none"> <li>If other alternatives are not available (i.e., using the planned City cashing 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.</li> </ul>	<ul style="list-style-type: none"> <li>✦ 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 is capable of generating daily reports that not only total fees/collections by category (e.g., adoptions and impoundments), but also total collections by cashier. Based on our observations the cash register is being properly used, and daily collection reports are being produced. However, daily reports that total collections by cashier are not consistently produced and retained. The lack of those reports could hinder management's ability to determine accountability for funds in the event of a loss or diversion. We recommend that reports that total collections by cashier be produced daily and retained.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Each employee working as a cashier has been provided a unique password (numeric code) and instructed to not share the password with other employees.</li> </ul>
<b>Enhance system controls at the ASC and segregate incompatible duties</b>	
<ul style="list-style-type: none"> <li>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 altering of activity in the Chameleon system. (Note – this action is needed to segregate incompatible duties that were performed by the former Office Supervisor.)</li> </ul>	<ul style="list-style-type: none"> <li>✓ The current Office Supervisor no longer has the capability (i.e., system permissions) to record or change information in the Chameleon system. This employee's permissions are limited to "view only."</li> </ul>

<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ In March 2003, ASC management completed a review of employee job duties and limited each employee's system permissions to those needed to perform those duties. Each employee has been provided a unique system password that allows him/her to access and use the Chameleon system in accordance with the assigned duties. The internal control principle of segregating incompatible duties was taken into consideration when assigning duties and system permissions.</li> </ul>
<ul style="list-style-type: none"> <li>Employees will be instructed to not share their Chameleon system passwords with other individuals.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Employees have been instructed by ASC management to not share their system passwords with others.</li> </ul>
<ul style="list-style-type: none"> <li>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).</li> </ul>	<ul style="list-style-type: none"> <li>✓ With the assistance of Information Systems Services (ISS), each ASC employee is now limited to accessing the Chameleon system through a designated terminal(s). The determination of which terminal(s) an employee is allowed to use to access the system was based on job duties and assignments. For example, cashiers are generally limited to accessing the system through terminals located behind the front desk at which fees are collected. Similarly, county employees bringing animals to the center can access Chameleon (i.e., to enter the animal in the system) only through terminals located in the rear of the facility.</li> </ul>
<ul style="list-style-type: none"> <li>Employee 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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Employees have been instructed to close out of Chameleon or lock their terminals when away from their assigned workstations for lunch, breaks, end of the work day, or other extended periods of time. Unattended terminals observed during our follow up audit work were locked or had been logged off from the system and/or network.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ A determination was made after consulting with the vendor that the Chameleon system does not have a "timeout" option. However, alternative action steps were implemented as noted in the preceding action step.</li> </ul>
<p><b>Improve controls over donations</b></p>	
<ul style="list-style-type: none"> <li>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).</li> </ul>	<ul style="list-style-type: none"> <li>✓ A lock box was obtained and is used by individuals to place donations for TREATS. Access to the contents of the lock box is restricted to authorized TREATS staff. No ASC employees have access to the lock box contents. The lock box is secured (bolted down) to a table accessible to the public near the front desk where fees are collected and the cashiers process adoptions.</li> </ul>
<p><b>Provide independent managerial verifications</b></p>	
<ul style="list-style-type: none"> <li>ASC management will complete the design of Chameleon system reports that reflect revenue and non-revenue activity.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Chameleon system reports that reflect various revenue and non-revenue activities have been designed, generated, and made available to management. Revenue reports are generated, for example, to reflect collections by category (e.g., adoptions, impoundments, boards) as well as by composite (i.e., checks, cash, or credit card), and by animal. Non-revenue reports reflect activity where no fees were collected (e.g., transfers and fee waivers), outcome by type (e.g., adoptions, fostered, died, euthanized), outcome by species, and intake and outcome by jurisdiction (e.g., City, Leon County, other counties).</li> </ul>
<ul style="list-style-type: none"> <li>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).</li> </ul>	<ul style="list-style-type: none"> <li>✦ A process was recently (first week in November 2003) developed whereby ASC management will review and compare Chameleon revenue reports to amounts deposited based on cash deposit records prepared by the Office Supervisor. Any differences will be researched and verified by ASC management as part of this process. Corrections will be made only after the underlying reasons (e.g., errors or mistakes) have been identified and verified as to validity and propriety.</li> </ul> <p>As noted in the original audit report, the lack of such a control</p>

	resulted in over \$20,000 in fees relating to prior years not being accounted for by the ASC. Accordingly, we strongly recommend that this critical control be properly and timely implemented.
<ul style="list-style-type: none"> <li>ASC management will periodically reconcile euthanizations recorded in the Chameleon system to euthanizations recorded on the log maintained in the animal processing section.</li> </ul>	<ul style="list-style-type: none"> <li>X This action has not been completed. ASC management is in the process of developing a euthanization policy. Management indicated that the final policy would contain a provision for the noted reconciliation by appropriate staff.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Non-revenue reports are currently generated and reviewed by management on daily, weekly, and monthly bases. These reports reflect, for example, animal outcomes by type (adopted, euthanized, released, transferred, etc.), outcome and intake by jurisdiction (City, Leon County, Gadsden County, etc.), outcome and fee by animal, and outcomes (adoptions, impoundments, etc.) with no fees (e.g., waivers, credits applied, etc.).</li> </ul>
<b>Regularly and efficiently back up Chameleon database</b>	
<ul style="list-style-type: none"> <li>Upon implementation of the new City server, the process for regularly backing up the Chameleon system database will be fully automated.</li> </ul>	<ul style="list-style-type: none"> <li>✓ ISS informed us that the Chameleon system is now automatically backed up daily.</li> </ul>
<b>Assess risks periodically</b>	
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Both the NCS Director and the NCS Finance and Administrative Services Manager are making periodic site visits to the ASC to review and analyze (financial and non-financial) operations, activities, policies, and procedures; and to provide instruction and on-the-job training to ASC staff.</li> </ul>

**Table Legend:**

- Issue addressed in the original audit
- ✓ Issue addressed and resolved

- ◆ Issue partially resolved
- X Action step not completed

### 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:

- Independent verifications by management that amounts deposited agree with Chameleon system revenue reports.
- Generating daily cash register tapes that reflect the total collections by cashier.
- Preparing and completing comprehensive written policies that address all aspects of ASC revenue operations and activities. (Written policies for several 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. We encourage the timely completion of the remaining action plan steps.

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

### Response from Appointed Official

**City Manager Response:** I am extremely pleased with the progress in addressing the action plan steps in this audit. Management has completed 12 of the 15 action plan steps and significant progress has been made in implementing two of the remaining three action steps. I commend Dr. Meloche and his staff for their efforts in responding to this audit. I also appreciate how closely the Auditor's Office has worked with the staff at the Animal Services Center.

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](mailto:auditors@talgov.com)).

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