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November 4, 2009



MIAMI-DADE COUNTY BOARD OF COUNTY COMMISSIONERS

OFFICE OF THE COMMISSION AUDITOR

**AUDIT OF ANIMAL SERVICES DEPARTMENT
INTERNAL CONTROLS FOR PROPRIETARY
REVENUES**

**Project Number 07-13-41-01
June, 2009**

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M E M O R A N D U M

TO: Sara Pizano, D.V.M.
Director, Animal Services Department

FROM: Charles Anderson, CPA
Commission Auditor

DATE: November, 2009

SUBJECT: Audit of Animal Services Department Internal Controls for Proprietary Revenues

We have concluded our Audit of Animal Services Department Internal Controls for Proprietary Revenue and submit this draft report, which contains findings and recommendations, for discussion. We would like to meet with you and/or appropriate staff to discuss questions or concerns about this draft. For this purpose, an Exit Conference is scheduled for November , 2009 at p.m. in the Board of County Commissioners (BCC) 10th floor conference room. Following the Exit Conference, a final draft will be provided for management review and comment in accordance with Sec. 2-478 of the Code.

Please contact Gary Collins, Audit Manager, at 305-375-1826 if you have any questions.

c: Abigail Price-Williams, Assistant County Attorney
Denis Kerbel, County Attorney
Virginia Diaz, Budget and Finance Manager, Animal Services Department
Raquel Cruz, Code Enforcement & Collections Manager, Animal Services Department

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I. Objectivity and Scope

As part of the work plan approved by the Miami-Dade County Board of County Commissioners, the Office of the Commission Auditor (OCA) conducted an audit on Animal Services Department (ASD) Internal Controls for Proprietary Revenue. The objective of the audit was to provide reasonable assurance that ASD proprietary revenues are charged, collected, and accounted for in accordance with applicable laws, regulations, policies, and good business practices. In order to achieve this objective, we tested the internal controls and audited the collection of revenues' process for FY 2006-07.

OCA found that the information pertaining to receivables from external sales provided by ASD was incomplete; this scope limitation impedes the accurate calculation of amounts due from veterinarians and clinics (Tag Stations) to ASD.

II. Methodology

This audit was conducted in accordance with the Government Auditing Standards issued by the United States General Accountability Office (2007 Revision) except for applicable requirements that were not followed. In specific, we had a scope limitation from receipt of incomplete Monthly Accounting Reports (MARs), a form used by Tag Stations to report tag sales, and Consignment Order for Tags (COFTs), a form used by ASD to consign tags to the Tag Stations from ASD. The impact precluded us from identifying the quantity and value of unaccounted tags, if any, for each individual Tag Station. Otherwise, the primary objective was not impacted because we were able to identify total tag revenues and sales using data from other sources.

OCA gathered data for this audit through a review of related reports, published materials, and interviews with key personnel of ASD. To achieve a desired level of assurance, OCA requested all information pertaining to external sales from Tag Stations. ASD provided the MARs, the COFTs, inventory of returned tags and tags not consigned to Tag Stations for FY 2006-07. To reconcile inventory, we requested ASD not to destroy or dispose the inventory of tags during our audit work.

We also reviewed Miami-Dade County Financial Accounting Management Information System (FAMIS) for the proprietary revenue related to Animal License Fee reported by ASD for FY06-07.

III. Background

ASD became an independent department in October 2005 after having been a component of Miami-Dade Police Department and the Miami-Dade Public Works Department. ASD's mission is to find lifelong homes for as many animals as possible and to provide proper care for them while they are at the shelter.

ASD educates pet owners of the need to vaccinate against rabies all dogs, cats, and ferrets (with either a 1 year or 3 year vaccine), and all dogs to be licensed every year. Failure to

license or vaccinate against rabies is a safety and public health issue, and a violation of Chapter 828.30, Florida Statutes, and/or Miami-Dade County Code Chapter V Sec.5-6. Information gathered from both the Humane Society of the United States and the Census Bureau approximates that 515,000 dogs live in Miami Dade County and only an estimated 29% are licensed.

The major portion of ASD operating budget is funded by proprietary revenues. The revenues are collected from code violation fines, animal services fees, lien research fees, and other funds generated by the department. For FY06-07, ASD received an annual subsidy of \$2,151,000 from the County's General Fund which represents 24%. The proprietary fee funds contribution was \$6,753,000 or 76%.

ASD uses Chameleon software, an integrated shelter software case management system, for the entire animal care facility. It was developed to help manage and track all the data at any animal care facility. The use of this software helps ASD to better track information of pets, medical history, vaccinations, licenses, veterinarians, and pet owners.

IV. Summary Report

Our audit of ASD's proprietary revenue and associated internal controls showed:

- Possibility of loss of inventory and revenues.
- 9,064 tags (6%) of tags were recorded in Chameleon under inactivated Tag Stations identification numbers.
- Inappropriate storage of information pertaining to COFTs and MARs.
- Back log existed on collections of accounts receivables.
- Results for calculation of error rates for Uniform Civil Citations reported by ASD on Active Strategy vary from calculations by OCA.
- Payments received from Tag Stations for tags sold were often late and ASD does not assess penalty or collect interest on those late payments.
- Checks were not restrictively endorsed immediately upon receipt, and
- Insufficient documentation existed to independently verify customers on Public Assistance programs who may receive tags at a reduced rate.

V. Findings and Recommendations

Finding 1: Tag Accountability System

Finding 1.1: Absence of Inventory System

Loss of inventory and resulting revenue losses are a distinct possibility due to absence of a tag inventory system. Records maintained by ASD for tags sent to, unsold tags received from Tag Stations, and unused tags were so poor that no basis exists for billing the Tag Stations.

Sec. 5-11 of the Code of Miami Dade County provides:

“(f)...Veterinarians and pet dealers shall be responsible for the value of all tags held by them for sale to dog owners.

“(g) Postmarked no later than the tenth day of each month, each veterinarian and pet dealer shall deliver to the ASD one (1) payment containing the value of any and all license tags and puppy tags sold or lost, destroyed, or stolen the previous month. Along with each month's remittance, each veterinarian and pet dealer shall submit to the ASD documentation to be provided by Miami-Dade County covering all tags sold, lost, destroyed, or stolen. The ASD shall have the authority to assess interest for any payments received after the deadline established in this section”.

OCA found several errors and discrepancies in the COFT, MAR, returned tags by Tag Stations, and unused tags.

Errors and discrepancies include:

- The inventory list showed Tag Stations returning more tags than the tags issued to them.
- Some Tag Stations reported sales of tags on MARs, for which no corresponding COFTs could be located or appeared to be consigned to a different Tag Station.
- Unused tags ending inventory disclosed some discrepancies.
- ASD sent tags to Tag Stations even though their business license had expired.

Incomplete information provided by ASD on MARs and COFTs precluded OCA from identifying the quantity and value of unaccounted tags, if any, for each individual Tag Station. There was a difference of 31,227 tags among tags consigned, reported as sold, and tags returned by Tag Stations to ASD. (See Table I)

Table I

Difference between tags reported as sold on MARs and tags returned to ASD

Tags consigned to tag stations (COFT)	Tags reported as sold by Tag Stations (MAR)	Tags returned to ASD	Difference between Tags reported as sold by Tag Stations and tags returned to ASD	Estimated Amount of difference @ \$35 Sec. 5-11(f)
126,573	87,536	7,760	31,277	\$1,094,695

OCA and ASD attempted a reconciliation of COFTs, MARs, and returned tags on January 9, 2009. OCA was unable to verify the validity of the information since ASD did not provide all MARs and COFTs requested during our fieldwork and also the inventory of tags returned by Tag Stations for FY 2006-07 had already been destroyed.

Recommendation 1.1.a

Maximize the capabilities of the Chameleon database to track the tags sent on consignment to Tag Stations, tags returned, and tags reported as sold by Tag Stations, and if possible, eliminate the use of hard copy forms such as COFTs and MARs. Our survey of other jurisdictions showed greater success in the use of Chameleon database, including capability to have Tag Stations directly report transactions online.

ASD has informed us that they are in the process of implementing on line transactions that will eliminate the need for MARs. Tag Stations will have the capability to input tags/vaccination information online. The implementation will be completed by the end of 2009.

Recommendation 1.1.b

Send tags on consignment only to Tag Stations who have an active business license. *ASD stated that effective July 2008, the Code Enforcement and Collection Unit confirmed that all stations are licensed.*

Finding 1.2: Ineffective Internal Control to Prevent Loss of Revenue if Tag Stations do not Report their Sales

Our audit showed that the life cycle of the tags is not tracked from received from manufacturer to sale or destruction. This deficiency in the internal control process creates opportunities for undetected inventory and/or revenue losses.

Recommendation 1.2.a

Establish a system of internal controls to track the tags from the time they are issued to their final disposition. This will mitigate the risk of abuse or misuse of tags inventory and/or loss of revenue due to errors or fraud.

ASD stated that effective June 2008, procedures to reconcile and account for tags were transferred from Code Enforcement to the Budget and Finance Unit and standard operating procedures (SOPs) were created outlining the process.

Recommendation 1.2.b

Establish internal controls and reconcile data on a recurring basis to ensure that all tags consigned to Tag Stations are accounted for and monies due to the department for payment of missing tags are received.

ASD stated that effective June 2008, reconciliation functions were transferred to the Budget and Finance Unit and SOPs were created outlining the process.

Finding 2: Lack of Internal Controls on the Revenue Process**Finding 2.1: Checks are not restrictively endorsed upon receipt**

OCA observed that checks received for services provided by ASD are not restrictively endorsed immediately upon receipt. Also, they were kept in a desk near the entry door without supervision.

Checks are easily negotiable instruments and when not restrictively endorsed are at risk of being stolen or misappropriated. To prevent or decrease the occurrence of errors or fraud, cash or cash equivalents should be safeguarded.

Recommendation 2.1.a

Develop and implement internal procedures governing the handling of negotiable instruments which emphasize the importance of restrictive endorsement of checks upon receipt.

ASD stated that effective May 2007, procedures were changed to ensure that all checks must be stamped "Deposit Only" immediately upon receipt.

Recommendation 2.1.b

If cost-effective, ASD should install equipment for and institute electronic check processing at facilities that accept checks in order to reduce the possibility of customers writing bad checks to the Department.

Findings 2.2: Backlog of Accounts Receivable

OCA observed a backlog on accounts receivables due to ASD. A review of the report "Aging of unpaid citations" issued by the Clerk of the Courts and dated July 4, 2007 showed a balance of \$2,186,989 for citations issued within a year prior to the date of the report. For citations issued 1-2 years prior to the running date of the report, the amount owed to ASD is \$1,637,000, and for citations issued 3-4 years prior is \$7,316,000. ASD has not been diligent in notifying the County's Finance Department of accounts that are past due.

ASD	< or = 1 year	> 1 to 2 years	> 2 to 3 years
Original penalty balance	\$2,186,989	\$1,637,060	\$7,316,644

Outstanding revenue, if collected, will assist ASD in their mission to improve or provide additional services to the community.

Recommendation 2.2.a

Enter tags and vaccinations certificate information timely into the Chameleon database to facilitate the timely issuance of citations and subsequent collections where delinquencies exist.

Recommendation 2.2.b

Take advantage of the collection and lien services offered by County's Finance Department with timely notification of accounts that are past due.

Findings 2.3: Late, Incomplete, or not Payments of Tags from Tag Stations

Examination of the MARs showed that payments received from Tag Stations for tags sold are often late and ASD does not assess penalty or collect interest on these late payments per Sec. 5-11 of the Code of Miami-Dade County. OCA also observed instances where Tag Stations were not held accountable for missing tags or when amounts on the check remitted with the MARs differed from amounts owed. These situations increase the risk of errors or fraud and loss of revenue.

Recommendation 2.3.a

Establish internal controls to ensure that all tags consigned to Tag Stations are accounted for and monies due to the department are received. Sales reported by Tag Stations should be recomputed to confirm that the amount of checks received corresponds to the sales. Also, Tag Stations should be invoiced for lost or missing tags.

ASD stated that effective June 2008, new SOPs were created outlining the receivable process.

Recommendation 2.3.b

Develop and document internal policies and procedures for collection of tags sold. ASD should develop training for Tag Stations on their responsibilities according to Sec. 5-11. (f) & (g), Code of Miami Dade County.

Finding 2.4: Tag Rates for Indigent Persons

ASD did not maintain sufficient documentation to independently verify customers classified as indigent persons who may receive tags at a reduced rate.

A.O No.: 4-51, ASD Services Fee Schedules, stipulates how much an indigent person should be charged for the acquisition of a tag as \$2 for the license of unsterilized dogs and \$1 for the license of sterilized dogs.

Good business practices require documentation of internal control to assure that, with reasonable certainty, rates collected by Tag Stations are accurately reported. Lack of verifiable supporting documentation could lead to under reporting of license fees because of the increased risk of error or fraud.

We observed 2,121 instances where MARs showed tags sold at reduced rates did not have proof that the pet owners who purchased these tags were indigent persons.

Recommendation 2.4

Require all Tag Stations to include verifiable proof of sales to customers who are indigent persons when remitting monies for tag sales.

ASD stated that effective September 2008, a new COFT form was created requesting the Tag Stations to submit supporting documentation for tags sold at reduced rates.

Finding 3: Quality Assurance Systems

Finding 3.1: Error Rate

ASD's calculation of error rate for Uniform Civil Citations issued by Animal Control Officers (ACOs) and Investigators, and also citations generated by the system and subsequently entered into the County's Active Strategy database vary from numbers reported by the Clerk of Court.

Using a report generated by the Clerk of Court dated September 6, 2007, OCA calculated the percentage of citations issued in error related to the total number of citations. For citations issued from October 1, 2006 to July 31, 2007, OCA observed that the average error rate for computerized citations (citations generated by the system due to untimely renewal of tags or non vaccination of pets) was 36%, and for manual citations (citations issued by ACOs and Investigators for non compliance with the code) was 15%. This calculation varies from information provided by ASD on Active Strategy Enterprise (ASE).

Errors in citations issued ultimately lead to poor customer services, valuable man hours wasted by ASD, the County's 311 call center and the Clerk of the Courts' Office in a bid to resolve flawed citations. The County also incurs costs on the processing and hearing of flawed citations.

Recommendation 3.1.a

Due to high turnover in ACO and Investigator positions, ASD should consider a continuing education program for ACOs and Investigators on the importance of issuing valid citations. ASD should also strengthen the monitoring and supervision of performance of ACOs and Investigators and data entry personnel.

Finding 3.2: Data entry process is inaccurate and late

ASD was approximately three (3) months delayed in updating the vaccination and tag information in Chameleon database. Delays and inaccuracies on the data entry process impacts the capability of ASD:

- To issue timely and accurate citations.
- Better match of pets with pet owners.
- Increases the risk of errors or fraud.
- Issues flawed citations to pet owners, and
- Creates a non-reporting or under reporting of revenues due to the County.

OCA found several errors and discrepancies in the data entry:

- 6% of tags were recorded in Chameleon under inactivated Tag Stations identification numbers.
- Tags and receipts were recorded under incorrect Tag Station' ID numbers or were not recorded at all in the database.
- Tag Stations' ID numbers listed on the hard copy maintained by ASD are incomplete, inaccurate, and do not match with the ID numbers on the data- base.

MAR information provided by ASD subsequent to our field work indicated that the information provided to OCA was incomplete, this scope limitation precludes OCA from identifying the quantity of tags recorded in excess or deficiency in the data- base.

Using Audit Command Language (ACL) software, we analyzed the total number of tags linked to Tag Stations in Chameleon database (115,048), and the total number of MARs returned to ASD by veterinarians. The difference between tags linked to Tag Stations identification numbers as recorded in Chameleon and tags reported as sold by Tag Stations on MARs was 27,512. (See Table II)

Table II

Difference between tags linked to Vet IDs and the tags reported as sold on MARs

Tags linked to a Vet ID as recorded in Chameleon database	Tags reported as sold by Tag Stations per the MARs	Difference between Chameleon and the MARs	Estimated amount of difference @ \$28.7 ¹
115,048	87,536	27,512	\$789,595

¹\$28.7 is an approximation of the price of the tags calculated by OCA using 4 months sample.

The revenue as reported in FAMIS for the Animal License Fee is \$4,352,214 for FY 2006-07. Although the inaccuracy of record keeping as described above makes it impossible to reconcile sales of tags and revenue reported in FAMIS, an analysis

of the total number of tags recorded in Chameleon and revenue reported in FAMIS as the animal license fee show only an immaterial difference.

Recommendation 3.2.

Internal controls for quality assurance, accuracy, and timely data should be emphasized to ASD employees.

VI. Opportunities for improvement:

- Web capabilities: Explore the capabilities of Chameleon to allow Web licensing and the implementation of an Integrated Tag Accountability System. Web licensing will allow pet owners and Tag Stations to enter information on line and make payments. The Integrated Tag Accountability System will allow ASD to:
 - Track tags sent,
 - Received, and
 - Sold by Tag Stations.It will also allow ASD to bill Tag Stations for lost tags and to reconcile discrepancies on the amount of payment with the value of tags sold.
- We observed that ASD sent tags to Tag Stations using priority mail and enclosed stamped envelopes for return of the MARs. Recommendation: To save money, ASD should send the tags to Tag Stations using regular mail (not priority mail) and stop the practice of enclosing stamped envelopes for return of the MARs.

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