

**Citrus County  
Animal Services Audit  
Board of County Commissioners  
November 2010**



Report By  
Internal Audit Division  
Clerk of the Circuit Court

**Betty Strifler**  
**Clerk of the Circuit Court**  
**Citrus County**



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November 16, 2010

The Honorable Betty Strifler  
Clerk of the Circuit Court

Dear Mrs. Strifler:

We have completed the Citrus County Animal Services (CCAS) Audit for the Board of County Commissioners. The purpose of this audit was to determine adequacy of internal controls over the collecting, depositing, and recording of revenue and inventory.

The audit period covered transactions from October 1, 2007 through September 30, 2009. We also reviewed transactions beyond the audit period to determine current practices. Discussion points regarding this audit are listed, along with recommendations for improvement, and management's responses. Other minor matters that have no material effect on operations were discussed with management.

We extend our thanks to Animal Services staff, County staff, and the Clerk's Finance Division for their cooperation and assistance during the course of this audit.

Sincerely,

Brenda Fontenot  
Internal Auditor

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## **Abbreviations**

CCAS – Citrus County Animal Services  
IA – Internal Audit  
ACO – Animal Control Officers

## EXECUTIVE SUMMARY

During the entrance conference, CCAS Management stated they wanted to strengthen their internal controls and welcomed any recommendations that would enhance their operations. Based on our review, we confirmed that internal controls relevant to cash handling and processing needed strengthening. However, controls for safeguarding and inventorying controlled medications were adequate.

CCAS uses the software, PetPoint, for recording revenue transactions, and maintaining records of the shelter's daily operations. We believe this application is adequate for CCAS, but could be more functional. We noted some data inconsistencies, which may be caused by training deficiencies. The software limitations noted were:

1. receipt numbers were not sequential, and therefore, not auditable to determine if transactions were missing.
2. comprehensive audit trail reports were not available.

We also noted that multiple cashiers worked from the same cash drawers, deposits were not reconciled to the data in PetPoint, and multiple employees had access to the cash in the safe.

Since the reorganization and the hiring of a Staff Veterinarian and Operations Manager, CCAS Management has improved the appearance of the property, strengthened the cleaning protocol for the animal runs and cages, increased support and community recognition of the team of volunteers who contribute to the CCAS mission, opened an evening clinic to provide a low-cost alternative for animal vaccinations and preventive medications, and initiated spay/neuter services for adopted animals. Now that these improvements are in place, management's goal is to strengthen the control environment and provide additional in-house training to the employees.

We were impressed with the animal shelter operation itself, and with the staff's compassion and care for the animals. Management and staff are committed to providing quality customer service to their patrons, which we observed during the course of this audit. We appreciate the courtesies and tremendous spirit of cooperation extended to us.

## **BACKGROUND**

Citrus County Animal Services is a section of Community and Recreational Programs Division under the Department of Community Services. Their primary mission is to educate the public about responsible pet ownership and to enforce the Animal Services Ordinance, while providing shelter for impounded animals.

The animal shelter is located at 4030 S. Airport Road in Inverness. The shelter houses cats, kittens, dogs, puppies, rabbits, chickens, reptiles, birds, horses, and other small animals. Days of operation are Tuesday – Saturday from 10 am – 4 pm, with clinic hours (by appointment only) on Thursday until 7 pm.

Field services performed by Animal Control Officers (ACO) were transferred to the Sheriff's Department in October 2009. ACO respond to calls ranging from aggressive dogs, injured animals, loose animals, dead animals, and calls that do not pose an immediate threat to public health and safety. ACO also respond to calls involving animal cruelty.

The CCAS' services include:

1. Adoptions
2. Reuniting strays with owners
3. Issuing county license tags
4. Spay and neuter services for shelter animals
5. Working with various rescue organizations
6. Sales for heartworm and flea medications
7. Euthanasia/disposal
8. Weekly clinic – open to the public by appointment only –offering low-cost vaccinations, rabies shots, heartworm and leukemia tests, dewormer, Capstar flea medication, and microchips
9. Volunteer program
10. Obedience training – six-weeks of classes on Thursday evenings – free to any adopted animal from the shelter, or a \$20 donation for citizens

Florida Statutes, Section 823.15, requires that all dogs and cats placed for adoption from animal shelters or animal control agencies to be sterilized by a licensed veterinarian before relinquishing custody of the animal, or within 30 days from the date of adoption unless a veterinarian certifies the animal is unfit for surgery. At that time, citizens who adopted animals may or may not have complied with the State statute and County ordinance regarding sterilization. Once the adopted animal left the shelter, there was no guarantee that the new owner would arrange for their veterinarian to perform sterilization.

According to a memo from the former Development Services Director, dated August 15, 2008, one of the major complaints of citizens was the illness of animals discovered by the

veterinarian at the initial adoption examination. With a full-time veterinarian on staff, incoming strays are vaccinated for distemper, parvo, kennel cough, dewormed, and receive a flea pill. After the fifth day, the animal is released for adoption. Once adopted, the animal receives a rabies shot along with a county license, and is scheduled for the pre-paid sterilization by the Staff Veterinarian.

#### **MANAGEMENT RESPONSE:**

Licenses are issued when the customer returns for sterilization, thereby allowing the customer to pay only the sterilized license fee of \$5.00.

Not only do citizens adopting an animal receive some measure of assurance that their new pet is relatively healthy and in compliance with the laws, but they also benefit from the dramatically reduced fees charged by CCAS.

### **SCOPE, OBJECTIVES & METHODOLOGY**

The scope of this audit covered operations between October 1, 2007 and September 30, 2009. We also reviewed transactions for operations during fiscal year 2010, to analyze current practices and controls.

The objectives of this audit were to determine the adequacy of internal controls over the collecting, depositing, and recording of revenue and inventory.

The audit objectives were accomplished by:

1. observing CCAS cashier procedures
2. interviewing the CCAS Operations Manager, the CCAS Veterinarian, and CCAS staff
3. touring the animal shelter to gain a general understanding of their operations
4. reviewing daily cash transactions in PetPoint
5. observing and documenting the bank deposit process
6. conducting physical inventory of drugs and medications
7. reconciling bank deposits with PetPoint daily cash reports, cashiers' daily cash recaps, and deposits posted in the Pentamation general ledger
8. assessing data integrity and controls in the PetPoint software

The Internal Audit Division is free from organizational impairments to independence in our reporting as defined by generally accepted government auditing standards. We report directly to and are accountable to the Citrus County Clerk of the Circuit Court. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the Clerk, management of the department under review, the County Administrator, and the Board of County Commissioners. All reports are available to the public.

## MANAGEMENT RESPONSE:

Animal Services would like to recommend that the Management and Budget Director be added to the list of those to be notified of audit results.

## DISCUSSION POINTS

### 1. Internal controls for collecting, depositing and recording revenues

Cash presents a great internal control risk to an organization. Effective internal controls for cash handling include monitoring, reconciling, and establishing a system of approvals/authorizations, which act as fraud or theft deterrents and provide accountability for management. Inadequate controls over cash handling increase the risk of theft or error.

To determine the adequacy of internal controls, we observed the cashiers process daily financial transactions, including securing the deposit at the end of the day, and compiling the bank deposit. Additionally, we compared the cashiers' daily cash recaps to the daily deposit reports for accuracy.

Through these observations, we noted that controls for capturing revenue transactions were weak and the process was inefficient.

- a. Transactions recorded on the cashier's daily cash recaps did not match the reports generated by the PetPoint software.
- b. Checks received were not restrictively endorsed "For deposit only" immediately upon receipt.
- c. Checks did not contain the information necessary to establish prima facie evidence (as outlined in Florida Statute 832.07) in the event of a returned check; e.g., driver's license number or state identification number, residence address, home phone number, business phone number, place of employment, sex, date of birth, and height.
- d. Multiple users processed transactions from the same cash drawer.
- e. Receipts could not be located for individual transactions.
- f. Receipts did not always identify the animal for which services were provided.
- g. Cash/checks deposited could not be traced to receipts.
- h. Individual cash drawers were not locked when secured in the safe.
- i. Numerous employees had access to the safe, and therefore, access to the individual cash drawers.
- j. The combination to the safe was not routinely changed after employees' separation.
- k. End of day balancing and deposit procedures did not include controls to prevent "forced" cash balances in a cashier's drawer. Without controls in place, a cashier

could “force” the ending balance by either adding money to the drawer to cover a shortage, or removing any overages. It was recommended that someone other than the cashier pull the daily transaction totals to determine ending cash and verify accuracy. Management implemented this recommendation prior to completion of the audit.

- l. Cashiers manually created their daily cash recaps by writing the individual transactions on a form, instead of using totals summary sheets. This process created additional work for the cashiers, slowed the closing process, and increased the risk for errors.
- m. Cashiers conducting revenue transactions also prepared the deposits.

## **RECOMMENDATIONS:**

During the audit, management acknowledged cash controls were weak, and requested guidance in strengthening the internal control environment. As the audit progressed, we discussed the internal control weaknesses listed above, and offered recommendations to the Operations Manager, the Staff Veterinarian, and the cashiers regarding an effective system of controls. As a result, CCAS Management either implemented the following recommendations, or is in the process of revising policies and procedures to integrate stronger controls:

1. Management should segregate duties by assigning the compilation of the deposit to an employee who has not conducted revenue transactions. In the event of staffing shortages and a cashier must perform this duty, the Operations Manager should review the deposit, date and initial, as an alternative mitigating control. When the newly-hired Accounting Clerk assumes this duty, the Operations Manager should review the deposit, date and initial.

### **MANAGEMENT RESPONSE:**

This has been addressed. The accounting clerk now collects the cash drawers at the end of the day and verifies contents with the clerk. In the absence of the accounting clerk, the operations manager performs this task. Should a clerk be tasked with deposit duty due to a staff shortage, the operations manager will verify the deposit before pickup by the Sheriff's Office.

2. Management should create a task outline for revenue collection, covering the points listed below to ensure that revenue collection transactions are accurate, complete, and consistent.

### **MANAGEMENT RESPONSE:**

We have attached the newly created Daily Task Outline for Revenue Collection.

*IA comment: A copy of the Outline is on file in the IA office and is not included in this report.*

- a. All transactions should be entered into PetPoint, so that the daily deposit report, cash summary sheets, and the PetPoint cash receipts report match.

**MANAGEMENT RESPONSE:**

We are in agreement and are checking daily transactions to ensure compliance.

- b. Receipts should be generated for every transaction, and accurately reflect the animal id, license number, and indicate whether the transaction is cash, check (including check number), or credit card.

**MANAGEMENT RESPONSE:**

We are in agreement and are checking daily transactions to ensure compliance.

- c. Management should develop a policy for using numbered, handwritten receipts for recording transactions during those occurrences when the internet is inaccessible. Maintaining a log of handwritten receipts will ensure that manual transactions are subsequently recorded in PetPoint.

**MANAGEMENT RESPONSE:**

Staff is in agreement and this process is in development.

- d. The effective date for any licenses sold should be the date of the transaction, and not the date of vaccinations administered by a clinic/vet's office. Licenses inadvertently backdated could present a potential legal issue if an animal was involved in an incident.

**MANAGEMENT RESPONSE:**

We have created a form (attached) that we will have customer sign when purchasing a license that does not coincide with the rabies vaccination time frame.

*IA comment: A copy of the form is on file in the IA office and is not included in this report.*

- e. All checks should be endorsed immediately, and include the identifying information stated in Discussion Point 1c, which will facilitate the collection of any dishonored checks.

MANAGEMENT RESPONSE:

Staff agrees and is adhering to this recommendation; check received in the mail will be marked as such and initialed by the individual opening the mail.

- f. Checks should be scanned for the daily deposit, and retained electronically by the deposit date. Changing the current practice of retaining paper copies of checks will save paper, toner, wear and tear on the copy machine, and reduce storage space needs.

MANAGEMENT RESPONSE:

Office of Systems Management was called to relocate the scanner, and this process is now in place; we are saving the images in a folder on the network drive.

- g. Cashiers should only conduct transactions from their assigned cash drawers to ensure clear responsibility for their individual transactions.

MANAGEMENT RESPONSE:

We are in agreement and are now in compliance with this recommendation.

- h. Cashiers should use the cash summary sheet to close the cash drawer, using the blind count approach.

MANAGEMENT RESPONSE:

We are in agreement and are now in compliance with this recommendation.

- i. Cash drawers should be locked prior to securing in the safe.

MANAGEMENT RESPONSE:

We are in agreement and have purchased locking cash drawers which are now in use.

- j. Cashiers should count cash drawers at the beginning of each day to verify the starting balance.

MANAGEMENT RESPONSE:

We are in agreement and are now in compliance with this recommendation.

- k. Any shortages/overages should be investigated and documented for use as a management tool in performing annual employee evaluations.

MANAGEMENT RESPONSE:

We are in agreement.

- l. Management should limit access to the safe, and ensure that the combination is changed when an employee leaves.

MANAGEMENT RESPONSE:

Acknowledged and in agreement. Access to the main safe is limited to the Staff Veterinarian, Operations Manager, and Accounting Clerk.

- m. Reconciliation of cash receipts, corrections, and voided transactions reports should be reviewed regularly and signed by management.

MANAGEMENT RESPONSE:

This is now being performed on a daily basis.

- n. Management should provide training to cashiers for implementing recent changes in processes and controls.

MANAGEMENT RESPONSE:

Acknowledged; we are making every effort to put these changes in writing.

- o. Process changes, revisions, and operating procedures for impounding animals, adoptions and redemptions, euthanasia, retail sales, receipting revenues, etc., should be updated in the employee policies and procedures manual. This manual should be submitted to the Director for review, comments, and approval.

MANAGEMENT RESPONSE:

The Policy and Procedures Manual is under revision and will include the updates to our cash handling procedures as recommended by the auditors.

Strong internal controls, such as segregating duties, training, management review, reconciliations and documentation mitigate the risk of fraud, loss of revenue, and protect the employee from scrutiny. Internal controls integrated into policies and procedures ensure transactions are recorded properly, executed in accordance with management's authorization, reduce the risk of asset loss, and assure the reliability of financial data.

**MANAGEMENT RESPONSE:**

**CCAS staff has embraced the auditors' recommendations and nearly all have been implemented.**

## **2. PetPoint Software**

In June 2008, CCAS implemented PetPoint, a free, web-based animal management program for organizations that use the 24PetWatch microchip and lost pet recovery program. PetPoint, Inc. provides the software via the internet, therefore requiring no in-house installation of hardware or software. Additionally, PetPoint provides the server, off-site data backup, encrypted passwords, advanced firewall technology, and free technical support.

PetPoint requires two conditions for an organization to use this free service:

- a. Promote ShelterCare insurance program to adopters.
- b. Implement the 24PetWatch Microchip Recovery program.

Utilizing this software has saved the County initial purchase fees, licensing fees, and annual maintenance renewal fees. According to CCAS staff, the 24PetWatch microchips utilized in this program cost less than the microchips from other vendors.

Based on our review of PetPoint, we agree with CCAS Management that this software works well for their operational needs. However, we noted the following areas of concern:

- a. PetPoint features are not fully utilized.
- b. Data in PetPoint is inaccurate and unreliable for reporting purposes.
- c. Access to PetPoint was not inactivated when an employee separated.
- d. Due to the configuration of the PetPoint software, receipts are not sequentially numbered for the individual clients. We inquired with PetPoint about the receipt numbering function, and were informed that receipts numbers are issued sequentially throughout the PetPoint system, as individual clients produce transactions. For example, a client in California issued receipt 20000, then a client in Florida issued a receipt, which is then numbered 20001, and another client in Virginia issued a receipt, which is 20002, etc.

For auditing purposes, we could not verify that all receipts were recorded. According to their Information Technology support, PetPoint is a structured database, which all clients share, and therefore, receipt numbering for each client cannot be separated. One mitigating control for receipt numbering is that receipts cannot be deleted—only voided. Currently, access to the void process is restricted from the cashiers.

A vulnerability in the PetPoint software is that adoptions, retail sales, and issuing licenses, collecting impound fees, etc., are functions that can be completed without issuing a receipt. Since the program does not require a receipt to be issued prior to recording these transactions, employees could circumvent the receipting process and commit fraud by retaining the funds.

### **RECOMMENDATIONS:**

- a. Management should provide additional training for staff to broaden their knowledge and understanding that will reduce errors, and equip them to fully utilize the various features of PetPoint software.

#### **MANAGEMENT RESPONSE:**

CCAS staff recognizes the merit of the auditors' recommendations regarding PetPoint training and will determine how best to utilize training modules offered through online PetPoint webinars without compromising services to the public and avoiding overtime. (Our first webinar regarding microchip transfers to rescues is scheduled for early February.)

- b. Management should continue correcting inaccurate records to ensure data reliability.

#### **MANAGEMENT RESPONSE:**

This process is underway and will be ongoing.

- c. Management should periodically review authorized PetPoint users, and adjust security access as duties change, or employees/volunteers leave.

#### **MANAGEMENT RESPONSE:**

The Staff Veterinarian has adjusted security access and will continue to monitor and update as needed.

- d. Management should perform continuous monitoring of revenue-producing activities to verify that all transactions are recorded in PetPoint and all revenues are collected and deposited. Monitoring by reconciling records

reduces the opportunity for fraud or theft, and aids in early error detection and correction.

**MANAGEMENT RESPONSE:**

CCAS management staff is in agreement and we have implemented daily monitoring of transactions and related records.

**3. Inventory - Drugs, Vaccines and Medications**

Citrus County Animal Services purchases various types of supplies, including drugs, vaccines, and medications for the benefit of the impounded animals, animal patients visiting the clinic, and licensed animals owned by residents.

Several drugs used for surgery and pain management are controlled substances. Because of the inherent risk of abuse by humans, we reviewed the controls and safeguards relative to five products. Based on our review and observations, we believe the drugs are very well controlled and secure.

Upon receipt, the drugs are numbered, logged, and locked in the safe. Bottles are signed out as needed by the technicians, and locked in a separate cabinet. The technicians fill out a control log, noting the dosage extracted from the bottles. The staff veterinarian reviews the logs to assure proper usage and accuracy of inventory.

The staff veterinarian controls the locked cabinets in the lab (non-controlled drugs) and the surgery room and adequately maintains usage logs. On June 23, 2010, the CCAS satisfactorily passed the routine inspection performed by the Florida Department of Health Investigate Services regarding the controlled substance inventory and records.

We discussed with the Staff Veterinarian implementing tracking these and other items in PetPoint, which would automate the inventory process, save time, and ensure that drugs and supplies are ordered on a timely basis. She stated that records in PetPoint had not been maintained, and as time allowed, she was correcting the data.

Currently, there are no written procedures for ordering and inventorying these items.

Citrus County Animal Services also provides drugs for the ACO, which are secured in a safe that requires fingerprint identification for access. We reviewed the Staff Veterinarian's log of those drugs, which we believe are properly maintained. However, the Staff Veterinarian expressed concern regarding responsibility of the drugs after they are dispensed to the ACO. This matter is based on the incomplete entries in the ACO logs. Internal Audit advised her to seek the counsel of the Risk Manager and County Attorney.

## **RECOMMENDATION:**

We recommend that management establish written procedures for the periodic physical inventory of drugs, vaccines, and medications for reconciliation with the supporting records and logs for purchases, usage, and retail sales.

Conducting physical inventories, along with reconciliations to supporting records, mitigate the risk of inadequate inventory supplies, and protect the County's assets by deterring theft and fraud.

## **MANAGEMENT RESPONSE:**

CCAS staff is in agreement and we now have written procedures in draft form that address drug inventory.

Regarding drugs dispensed to the Animal Control Officers, staff solicited the opinion of Bill Bryan, Risk Manager, and Peter Aare, Senior Assistant County Attorney, and held a discussion with representatives from the Sheriff's Office in this regard. **They confirmed that the Sheriff's Office does not have the ability to order the drugs used by the Animal Control Officers; hence, Dr. Julie Rosenberger, DVM, is considered the only person authorized to order the ACO's drug inventory. Captain Mike Richie** stated that locked boxes will be installed in the Animal Control Officer's vehicles for the purpose of securing controlled drugs for their use, and arrangements will be made with Dr. Rosenberger to inspect such boxes and verify their contents on a monthly basis. It will be the responsibility of the Animal Control Officer to make appropriate entries on the log pertaining to drugs removed from the inner core safe at Animal Services, and maintain a correct and current inventory of any drugs signed out to them for use in the field. In the event the Animal Control Officers fail to maintain up-to-date and accurate records, this policy will be revisited.

Department of Community Services  
Division of Community & Recreational Programs  
Animal Services Section

ASM-11-003

To: Brenda Fontenot, Internal Auditor *B. Fontenot*  
Via: Eber Brown, Deputy County Administrator *E. Brown*  
Thru: Cathy Pearson, Community Services Director *C. Pearson*  
From: Pattie Amon, Operations Manager *P. Amon*  
Date: January 26, 2011  
Subj: Response to Audit Dated November 2010

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ADMIN

Attached is Animal Services' response to the Citrus County Animal Services (CCAS) Audit for the Board of County Commissioners dated November 2010.

We would like to thank you for your professional and helpful demeanor throughout the audit process, as well as the patience you exhibited when an animal's immediate need interrupted the process. Both you and Heather May presented us with so many helpful and useful tools that have provided us with a better understanding of controls and safeguards. As you know, we began to address your concerns and recommendations in the midst of the audit process, and we are richer for it.

Please notify us of the date you plan to present our audit to the Board of Commissioners so we may make ourselves available.

/pa

Attachments

cc: Cathy Taylor, Director, Office of Management  
Julie Rosenberger, DVM, Staff Veterinarian  
Diane Thomas, Accounting Clerk

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JAN 28 2011

Deputy County Administrator

EXHIBIT A

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