

County of Ventura  
AUDITOR-CONTROLLER  
MEMORANDUM

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To: Monica Nolan, Director, Ventura County Animal Services

Date: June 25, 2010

From: Christine L. Cohen

Subject: AUDIT OF CHANGE IN DIRECTOR FOR VENTURA COUNTY ANIMAL SERVICES

EXECUTIVE SUMMARY

We have completed our audit of the change in director for Ventura County Animal Services (VCAS). Our overall objective was to determine whether appropriate actions had been taken to accomplish the transfer of accountability and administrative functions from the preceding to the succeeding director. We also evaluated internal controls over the management and safeguarding of controlled substances due to a theft of controlled substances that occurred at the VCAS Veterinary Hospital on November 9, 2007. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

Overall, VCAS satisfactorily transferred accountability and administrative functions from the preceding to the succeeding VCAS director. For example, *Statements of Economic Interests* and signature authorizations were filed in a timely manner, and accountability for fixed assets was properly transferred from the former director to the incoming director. We also confirmed that appropriate trust fund subsidiary ledgers were maintained and that expense reimbursements paid to the prior director in the months before leaving County service appeared to be appropriate. In addition, the actions taken to manage and safeguard controlled substances were generally appropriate.

However, opportunities were available to better account for departmental assets as well as manage the transition upon a change in director. Specifically, we found that:

- Personal funds were misrepresented as the department's change funds during the audit.
- Timely back up of electronic records and revocation of network access did not occur upon the change in director.
- A department records retention schedule had not been developed as required by County policy.
- Sensitive non-fixed assets were not always adequately identified, tracked, inventoried, or disposed of as required.
- Trust fund reconciliations were not always performed, reviewed, or approved in a timely manner.
- Further limiting access to cabinet keys for controlled substances and disposing of expired substances timely and properly would reduce risks in the department.

Monica Nolan, Director, Ventura County Animal Services

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VCAS management initiated corrective action to address our findings. Corrective action is planned to be completed by December 2010.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

cc: Honorable Kathy Long, Chair, Board of Supervisors  
Honorable Linda Parks, Vice Chair, Board of Supervisors  
Honorable Steve Bennett, Board of Supervisors  
Honorable Peter C. Foy, Board of Supervisors  
Honorable John C. Zaragoza, Board of Supervisors  
Marty Robinson, County Executive Officer

**AUDIT OF CHANGE IN DIRECTOR  
FOR VENTURA COUNTY ANIMAL SERVICES**

**BACKGROUND:**

Ventura County Animal Services (VCAS) is responsible for the board and care of sick, injured, abandoned, and stray animals, and for the enforcement of state and local laws affecting animals. Services are provided by three divisions: (1) Administration/Licensing provides for department management, door-to-door license canvassing, and a computerized dog licensing system; (2) Shelter Operations provides veterinary services and operates public counters to reclaim and relinquish pets and livestock through the Main Animal Shelter in Camarillo and the Animal Holding Facility in Simi Valley; (3) Field Services provides rabies suppression, pickup and disposal of dead animals, citizen complaint investigations, care for misplaced, sick, or injured wildlife, leash law enforcement, and other services as specified in various city contracts.

The outgoing director of VCAS, Kathy Jenks, formally retired effective April 4, 2009, and worked as extra help until May 28, 2009. Monica Nolan was appointed by the Board of Supervisors to replace Kathy Jenks as VCAS director effective May 3, 2009. VCAS was authorized 47 positions for fiscal year (FY) 2009-10 and a combined budget of \$4.8 million.

**SCOPE:**

Our overall audit objective was to determine whether appropriate actions had been taken to accomplish the transfer of accountability and administrative functions from the preceding to the succeeding VCAS director. Specifically, we:

- verified that petty cash, change, and trust funds were properly accounted for and balances were reasonably stated;
- confirmed that fixed assets were accounted for properly and transferred to the incoming director, and evaluated controls over sensitive non-fixed assets (e.g., computers, printers, cameras, etc.);
- verified that required documents, such as *Statements of Economic Interests* and signature authorizations, were completed;
- reviewed actions taken to update security measures, including the deactivation of facility access cards and termination of computer access;
- confirmed that County equipment was collected from the outgoing VCAS director and accounted for properly (e.g., vehicle, cell phone, etc.); and
- verified that expenses incurred by the outgoing VCAS director in the months before the director's retirement were appropriate.

Due to a theft of controlled substances that occurred at the VCAS Veterinary Hospital on November 9, 2007, we also evaluated whether controlled substances were properly managed and safeguarded.

We performed audit tests and evaluations using documents provided by VCAS Administration and Veterinary Services, and the Auditor-Controller's Office. The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. For our audit, we used documents and records for the period September 2006 through March 2010.

## **FINDINGS:**

Overall, we found that VCAS satisfactorily transferred accountability and administrative functions from the preceding to the succeeding director. We confirmed that *Statements of Economic Interests* and signature authorizations were filed in a timely manner. In addition, we verified that accountability for fixed assets was properly transferred from the former director to the incoming director. We also verified that petty cash was accounted for properly and that expense reimbursements received by the prior director during the 6 months prior to leaving County service were appropriate.

However, we identified several areas where action was needed to improve accountability for departmental assets and inventory. Of particular concern during our audit, personal funds of VCAS fiscal staff were misrepresented to the auditor as the department's change funds. Further, VCAS needed to back up electronic records and revoke network access in a timely manner upon a change in director. Improvements were also needed to develop and implement a records retention schedule and to properly define, track, periodically inventory, and dispose of sensitive non-fixed assets as required by County policy. We also noted that, although VCAS maintained sufficient trust fund subsidiary ledgers, trust fund reconciliations were not always reviewed and approved monthly as required.

We found that internal controls over the management and safeguarding of the VCAS Veterinary Hospital's controlled substances were generally appropriate. For example, usage logs were used and periodic physical inventories were performed for controlled substances. However, we identified certain opportunities for improvement by securing all cabinet keys and periodically disposing of expired substances in accordance with federal regulations.

Following are details of the areas where improvements were needed. VCAS management initiated corrective action during the audit as noted.

1. **Change Funds.** Personal funds of VCAS fiscal staff were misrepresented as departmental change funds during our audit. While performing a surprise cash count at the Simi Valley Animal Shelter on January 29, 2010, the change fund we counted was \$150 over the amount delegated. Upon further inquiry, VCAS fiscal staff disclosed that the extra \$150 was actually personal funds provided temporarily to the facility because staff could not open the safe holding the delegated change funds. We understand fiscal staff's intentions to ensure that the facility had funds to make change until the safe could be opened. However, misrepresenting the personal funds to the auditor as the delegated change funds compromised staff's duty to adhere to Article 25 of the County of Ventura Personnel Rules and Regulations, which establishes a code of ethics for all employees.

**Management Action.** VCAS management stated: "The misrepresentation was not intentional, but done to provide a means for Simi staff to give better customer service to the public for the weekend until the safe could be looked at and repaired if necessary. The staff responsible was counseled that their ethical responsibility as a public employee is to ensure that all procedures are carried out in accordance with standardized financial principles."

2. **County Technology Policies.** Controls over information technology were not always adequate to safeguard electronic records. Specifically, improvements were needed to adhere to the guidelines and standards for securing and backing up of County documents, files, and historical data and for the timely revoking of network access.

- A. **Custody of Data.** Electronic documents, files, and historical data were not secured and backed up from the outgoing director's hard drive prior to disposal of the director's personal computer (PC). The Ventura County Personal Computer Standards and Management Guidelines direct that the department manager/office systems coordinator ensure "custody of all applications and data residing on PCs within their departments." However, because the prior director maintained records on the hard drive without any backups rather than on the VCAS network, concerns surfaced that records of administrative and historical value were lost when the PC was purportedly surplus upon the change in director. Ensuring County files, documents, and historical data are secured and backed up in a timely manner would help to deter the loss of vital records.

**Management Action.** VCAS management stated: "The Department IT staff responsible for ensuring that County personal computer standards and management guidelines are followed will be counseled and a Historic Data Policy will be developed and implemented to insure that both electronic and paper historical data are secured and backed up in a timely manner."

- B. **County Network Access.** VCAS had not revoked network access for the outgoing director in a timely manner. The Ventura County Computer User Termination Policy directs that departments are to have procedures in place to notify the departmental information technology manager of terminated users. This notification is to occur, in writing or by email, upon or prior to the user's termination so that all computer account access can be revoked appropriately. However, the outgoing VCAS director's network access was not revoked until January 26, 2010, or 8 months after the outgoing VCAS director's last day worked as extra help on May 28, 2009. This included access to VCAS's animal identification, licensing, and receipting system, Chameleon. Ensuring the timely revocation of network access for any County employee leaving employment is vital to prevent the possibility of unauthorized access to County information by those no longer employed by the County.

**Management Action.** VCAS management stated: "The Department IT staff will be counseled that better accountability is needed in following adopted County computer policies such as network accessing and termination."

3. **Records Retention.** VCAS did not have a records retention schedule to support the rationale for the purging of historical records from the central paper files by the prior VCAS administration. The County Administrative Policy on *Records Retention Schedule* requires every County department to have a written statement of actions to be taken regarding all records produced or maintained by the agency. During our audit, we were informed that the prior VCAS administration removed and disposed of numerous paper files without notifying the continuing staff of what was purged. Our review of 21 file folders disclosed that 7 (33%) were empty for topics such as "accident report" and "juvenile records." However, whether these folders previously contained any valuable documents was not clear. Developing a department records retention schedule would assist the department in the preservation of records which are of lasting value and justify future records destruction actions.

**Management Action.** VCAS management stated: "The Department will develop a record retention policy that is consistent with County policy and insure that centralized files are kept secured and henceforth backed up electronically."

4. **Sensitive Non-Fixed Assets.** Controls over sensitive non-fixed assets were in need of improvement. Sensitive non-fixed assets are non-capitalized items with a value of less than \$5,000 and are subject to pilferage and misappropriation if not properly controlled. Because formal tracking through the Ventura County Financial Management System is not required, departments must establish and implement internal controls to maintain proper accountability as required by the County Administrative Policy on *County Non-Fixed Asset Inventory Control* (Policy). However, we found that sensitive non-fixed assets were not always defined, tracked, inventoried, or disposed of as required.

A. **Identification.** Although each County department is responsible for determining which non-fixed assets are considered "sensitive," and therefore warrant special handling, VCAS did not identify certain susceptible items as "sensitive" for tracking purposes. During our audit, VCAS provided us with a computer and printer inventory list of 46 items considered to be the department's sensitive non-fixed assets. However, our review of purchases from September 2006 through December 2009 identified seven additional computer/printer items costing over \$3,000 that did not appear on the list. Our review also found purchases of five cameras costing over \$750 that were not tracked. In addition, VCAS did not track cell phones and, as a result, could not account for the County-issued cell phone reportedly returned by the former director.

**Management Action.** VCAS management stated: "The Department will implement a sensitive non-fixed asset log for assets costing more than \$500.00. The log will list the description of the item, model number, serial number, and location of the item or staff member responsible for the item."

B. **Tracking and Inventory.** VCAS's practice of assigning and affixing identification labels (i.e., M-tags) for sensitive non-fixed assets was not always sufficient to facilitate proper tracking, and periodic physical inventories were not performed. We found that M-tags for two printers on VCAS's computer and printer inventory list did not match the M-tags affixed to the items. For two other printers, the list did not identify the M-tag numbers assigned, although M-tags were affixed to the items. VCAS could have detected, researched, and resolved these discrepancies in a timely manner had the department conducted periodic inventories as required by the Policy. Without such inventories, the items were also at risk of theft or loss without detection.

**Management Action.** VCAS management stated: "An inventory of the computers and printers will be completed and M-tags will be requested for any computers or printers without such identifying numbers."

C. **Disposal.** VCAS did not always follow proper procedures for the disposal of sensitive non-fixed assets. The County Administrative Policy on *Disposition of Surplus Personal Property* requires that departments submit an Inventory Release form to the General Services Agency (GSA) when sensitive non-fixed assets are sent to GSA Surplus. This form includes the description and quantity of the items and is signed by an authorized representative of the submitting department and GSA. However, all assets sent to GSA prior to January 6, 2010 were never reported on the required Inventory Release form. As a result, VCAS could not support the assertion that the desktop computer assigned to the previous director, which was no longer in VCAS's possession, was actually sent to GSA.

**Management Action.** VCAS management stated: "Effective immediately, this department will begin using GSA's Inventory Release form for the disposal of sensitive non-fixed assets."

5. **Trust Fund Reconciliations.** Trust fund reconciliations were not always performed and submitted to VCAS management for review and approval on a monthly basis as required by the County of Ventura Auditor-Controller's Accounting Bulletin 10-01 issued July 7, 2009. Our sample of four months of FY 2009-10 Animal Regulation Trust reconciliations disclosed that reconciliations for three months (75%) were not completed monthly or approved. Specifically, reconciliations for August, September, and October 2009 were not completed until December 29, 2009, and the reconciliations did not bear management's signature of approval. Lack of timely review and approval of monthly trust fund reconciliations increases the risk that unauthorized transactions may not be identified in a timely manner.

**Management Action.** VCAS management stated: "This is an ongoing problem due to lack of staff and time available for the appropriate person to reconcile and complete the reconciliation paperwork in a timely manner. The Department has only two fiscal staff who handle not only the day-to-day transactions, but also other reporting requirements for the County Auditors, the CEO and the nine contracting cities. While we agree that trust reconciliations are important, other priorities such as state SB90 reporting requirements, grant reimbursement for emergency services to state and federal agencies, and revenue billings to cities take precedence over trust reconciliations. Given those limitations, fiscal staff will make every effort to be timely in complying with County of Ventura Auditor-Controller's Bulletin 10-01."

6. **Controlled Substances.** Improvements were needed to properly manage and control the VCAS Veterinary Hospital's supply of controlled substances. Specifically, we noted opportunities to strengthen the safeguarding of all cabinet keys and to properly dispose of expired controlled substances.

- A. **Safeguarding Inventory.** VCAS's methods for securing keys to cabinets storing controlled substances were not always sufficient. Although cabinet keys were generally assigned to authorized individuals, an extra key to a cabinet storing euthanasia solution was located in the dispatch office inside an open wire basket. VCAS explained that this access was provided for Animal Control Officers (ACOs) to handle emergency situations requiring euthanasia after Veterinary Hospital hours. However, alternatives needed to be explored, such as checking the key out to the ACO in charge during various shifts, because unsecured keys create an opportunity for the pilfering of this controlled substance.

**Management Action.** VCAS management stated: "There are three cabinets that house controlled substances in the veterinary hospital. The cabinet that houses the controlled narcotics has keys issued only to the Vet and two Registered Veterinarian Technicians (RVTs). The cabinet that stores the bulk euthanasia solution has keys issued only to the Vet, 2 RVTs and the Deputy Director. The small cabinet, which is secured by key, houses one bottle of euthanasia solution (normally never a full bottle) for 'on demand' euthanasia. This solution is inventoried daily. To replace the current key system, this solution will be placed in a cabinet with a combination lock known only to the Vet, 2 RVTs, the Deputy Director, and ACOs certified to euthanize. As additional security, since this audit, all outside doors to the veterinary hospital have been secured with combination locks that prevent the access of unauthorized personnel."

- B. **Disposing of Expired Inventory.** Although expired substances were properly safeguarded from unauthorized access, VCAS could reduce the risk associated with the accumulation of expired substances through proper disposal methods. VCAS's Expired Controlled Substances Log included 13 different types and strengths of expired controlled substances, comprised of 1,535 tablets in 19 bottles and 63 milliliters in 13 injectable vials. According to VCAS, these expired substances have been accumulating for many years and have never been surrendered to the proper authority. The Code of Federal Regulations (CFR Title 21, Section 1307.21) requires that registrants desiring to dispose of controlled substances submit a Drug Enforcement Administration (DEA) Form 41 to the DEA Special Agent in Charge of the area and await instructions on how to proceed. Periodically reducing the stock of expired controlled substances in accordance with federal regulations reduces the likelihood of improper access or disposal.

**Management Action.** VCAS management stated: "The department has had expired control substances on hand for several years. While the number of items sounds significant, all that are mentioned are currently kept in a container about the size of a shoe box. Because it is not a mandatory requirement to dispose of expired controlled substances, and because the amount of expired controlled substances is not significant, it was not a high priority to remove them from the premises. However, this audit has pointed out the need to do so on a periodic basis, so the Department established an account with a company who specializes in expired drug disposal. The drugs will be disposed of within the next six months in accordance with Federal Regulations CFR Title 21, Section 1307.21."

**AUDITOR'S EVALUATION OF MANAGEMENT ACTION:** We believe that management actions taken or planned were responsive to the audit findings. Management planned to complete corrective action by December 2010. VCAS management provided specific dates of planned completion for each area identified for improvement as follows:

1. Change Funds..... April 2010
2. County Technology Policies
  - A. Custody of Data..... September 2010
  - B. County Network Access..... June 2010
3. Records Retention.....September 2010
4. Sensitive Non-Fixed Assets
  - A. Identification..... September 2010
  - B. Tracking and Inventory..... September 2010
  - C. Disposal..... June 2010
5. Trust Reconciliations..... July 2010
6. Controlled Substances
  - A. Euthanasia Cabinets ..... December 2010
  - B. Expired Inventory..... December 2010

We appreciate the cooperation and assistance extended by you and your staff during this audit.