

County of Ventura  
**AUDITOR-CONTROLLER**  
MEMORANDUM

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**To:** Johnson K. Gill, Director, Health Care Agency

**Date:** May 8, 2017

**From:**  Jeffery S. Burgh

**Subject: AUDIT OF CONTROLS OVER COLLECTIONS AND DEPOSITS FOR VENTURA COUNTY ANIMAL SERVICES**

We have completed our audit of internal controls over collections and deposits for Ventura County Animal Services ("VCAS"), a division of the Health Care Agency's Public Health Department. The audit was conducted in accordance 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.

**EXECUTIVE SUMMARY**

Overall, we found that VCAS internal controls over collections and deposits were sufficient. For example, cash collections were reconciled to receipt documentation daily, and deposit cash receipt document numbers were accounted for properly. Mailed payments were being processed in a timely manner during our audit. A locking mailbox had been installed outside the Camarillo animal shelter, and animal license renewal forms and fee notifications were generated in a timely manner.

However, we noted that actions were needed to address aspects of VCAS controls over collections and deposits. Specifically, we noted that:

- Duties involving cash handling were not always properly segregated to mitigate the risk of loss or misappropriation of cash.
- Cash receipt documents were not always processed by VCAS for posting in the County's financial system in a timely manner.
- Lack of required processing time frames for mailed payments could result in unreasonable processing delays.
- The ability to identify responsible persons in case of theft was diminished by lack of dual custody when removing money from safes and by ineffective positioning of security cameras.
- Money could be collected but not remitted to VCAS for deposit due to lack of accountability for field receipts and animal license tags.

Johnson K. Gill, Director, Health Care Agency

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VCAS management initiated corrective action to address our findings. VCAS management planned to complete corrective action by November 30, 2017.

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

Attachment

cc: Honorable John C. Zaragoza, Chair, Board of Supervisors  
Honorable Peter C. Foy, Vice Chair, Board of Supervisors  
Honorable Steve Bennett, Board of Supervisors  
Honorable Linda Parks, Board of Supervisors  
Honorable Kelly Long, Board of Supervisors  
Michael Powers, County Executive Officer  
Tara Diller, Director, Ventura County Animal Services

County of Ventura  
Office of the Auditor-Controller



AUDIT OF CONTROLS OVER COLLECTIONS AND DEPOSITS  
FOR VENTURA COUNTY ANIMAL SERVICES

May 8, 2017

Jeffery S. Burgh  
Auditor-Controller

**AUDIT OF CONTROLS OVER COLLECTIONS AND DEPOSITS  
FOR VENTURA COUNTY ANIMAL SERVICES**

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## **AUDIT OF CONTROLS OVER COLLECTIONS AND DEPOSITS FOR VENTURA COUNTY ANIMAL SERVICES**

### **BACKGROUND**

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Ventura County Animal Services (“VCAS”) is a division of the Health Care Agency’s Public Health Department. 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 in five divisions: (1) Shelter Operations; (2) Field Services; (3) Licensing; (4) Veterinary Services; and (5) Administration.

VCAS processes a large volume of small dollar receipts associated with animal license and adoption fees. VCAS collects payments over-the-counter at the Main Animal Shelter in Camarillo and at the Animal Shelter in Simi Valley, in the field, through the mail, and online. VCAS uses the Chameleon integrated shelter case management system for cashiering, licensing, and other shelter management needs. For fiscal year (“FY”) 2015-16, VCAS recognized revenues of \$4.5 million.

### **SCOPE**

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Our overall audit objective was to evaluate the adequacy of VCAS internal controls over collections and deposits. Specifically, we evaluated the adequacy of procedures to:

- properly account for funds collected;
- ensure all funds collected were properly deposited;
- safeguard cash collections and deposits; and
- account for licenses and unpaid fees.

Our audit included review of selected transactions during 3 fiscal years: FY 2013-14; FY 2014-15; and FY 2015-16. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors using documents from January 2014 through March 2016.

### **FINDINGS**

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Overall, we found that VCAS internal controls over collections and deposits were sufficient. For example:

- Money collected was reconciled to Chameleon records daily.
- Deposit cash receipt (“CR”) document numbers were accounted for properly in the Ventura County Financial Management System (“VCFMS”).
- Mailed payments were being processed in a timely manner during our audit.
- A locking mailbox had been installed outside the Camarillo animal shelter.
- Animal license renewal forms and fee notifications were generated in a timely manner.

However, our audit disclosed several areas where VCAS internal controls over collections and deposits were in need of improvement. For example, duties involving cash handling were not always properly segregated and CRs were not always processed in a timely manner, which exposed cash to loss or misappropriation without detection. Although mailed payments were being processed timely during our audit, a lack of required processing time frames could result in unreasonable processing delays. Lack of dual custody when removing money from safes and ineffective positioning of security cameras could hinder the identification of persons responsible in case of theft. Further, lack of accountability for field receipts and animal license tags could result in money being collected but not remitted to VCAS for deposit. We also identified concerns regarding citation dismissals and refunds, and animal relinquishment forms.

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

1. **Segregation of Duties.** Due to limited staffing and employee turnover, duties were not always appropriately segregated to facilitate the proper handling of cash collections. County Administrative Policy No. Chapter VII(A)-9, *Cash Handling Responsibilities and Guidelines*, states: "An adequate separation of duties should be established within the cash function to ensure that one individual does not control all key aspects of a cash transaction...." Our audit disclosed that the same person who prepared the VCAS bank deposit also: reconciled money collected to field receipt documentation and to Chameleon reports on a daily and monthly basis; and created CRs in VCFMS. As a result, money could be lost or misappropriated during the deposit preparation process without any oversight that all money collected was actually deposited.

**Recommendation.** VCAS management should assign an employee, independent of deposit preparation, the daily task of reconciling deposits to collections reported in Chameleon and entering CRs into VCFMS. Another employee should reconcile the deposits to Chameleon and to VCFMS on a monthly basis for proper oversight.

**Management Action.** VCAS management stated: "This item has been addressed and corrected by the addition of the Accounting Assistant Position and segregating these duties. The Accounting Assistant was added in October 2016. VCAS had recognized the deficiency, but were understaffed during a large portion of the audit period. VCAS staff will also develop a protocol for back-up segregation of duties when Accounting staff are out of the office."

2. **Cash Receipt Document Processing.** CRs were not always processed in VCFMS in a timely manner, which further exposed cash collections to loss or misappropriation. The VCFMS *Cash Receipts Procedures* stated: "All money received by the County will be entered into VCFMS as a Cash Receipt (CR)." CRs are created and approved in VCFMS by VCAS staff before final processing of the CRs can be completed. Our review of the County Treasury Daily Bank Reconciliation as of March 29, 2016, identified 77 VCAS deposits totaling \$74,237 that were posted by the bank but not booked in VCFMS. VCAS had not created CRs for three of these deposits totaling \$2,320 that had been posted by the bank more than 3 months earlier in December 2015. For the 74 other deposits, \$9,549 of which was cash, the CRs took an average of 5 days to be created and another 9 days to be approved by VCAS. Without timely processing of CRs and in light of the lack of segregation of duties discussed above in Finding 1, cash that is not deposited could go undetected.

**Recommendation.** VCAS management should ensure that CRs are created and approved within VCFMS in a timely manner.

**Management Action.** VCAS management stated: "This item has been addressed and corrected by the addition of the Accounting Assistant Position. The Accounting Assistant was added in October 2016. CRs are being processed and approved on a daily basis. VCAS recognized the deficiency, but were understaffed during a large portion of the audit period. VCAS has also developed a protocol for back-up approval of CRs when Accounting staff are out of the office."

3. **Mailed Payments Procedure.** Written procedures did not sufficiently specify and instruct VCAS staff on the timely processing of payments received by mail. The VCAS "Cash Handling and Deposit Procedures" states that license renewals received through the mail are placed in a locked file cabinet pending processing and processed the same as over-the-counter payments. Although over-the-counter payments are processed daily, VCAS acknowledged that processing time frames for mailed payments vary based on staffing levels and ongoing projects. During our audit, we observed that 3 business days of mailed payments had not been processed. Although this indicated that mailed payments were being processed in a reasonably timely manner, mailed payments could go unprocessed for an extended period if processing time frames are not established.

**Recommendation.** VCAS management should establish and enforce time frames for processing mailed payments.

**Management Action.** VCAS management stated: "VCAS management will amend the existing cash handling policy/procedure to include a 3-day processing expectation timeframe and will review with staff. VCAS has requested the addition of a Clerical Supervisor position, who will oversee all aspects of the front counter and licensing operations. The Clerical Supervisor will also provide additional oversight over this program and the processing of payments. The approximate timeframe is 6 months before the position is filled, trained and integrated into the organization. VCAS will set a goal to have the new procedure fully implemented by November 2017."

4. **Removing Money from Safes in Dual Custody.** At both VCAS facilities, removing money from the safes and verifying amounts for deposit was not performed in dual custody at the time of our audit. Periodically during each working day, staff bundled the money collected with supporting documents and dropped the packages in the safes. However, when the money was subsequently removed from each safe by the person responsible for preparing the bank deposit, another employee was not present to confirm the amounts. Therefore, in the event of missing collections, accountability could not be attributed to the person who dropped the money in the safe or the deposit preparer.

**Recommendation.** VCAS management should incorporate dual custody procedures when removing money from the safes and verifying the amounts for deposit.

**Management Action.** VCAS management stated: "VCAS management agrees and has started a new procedure for dual verification at the point of drop and when removing the deposits from the safe. Two front office staff will verify/reconcile daily close out and drop in the safe. Field Officers will check in with Fiscal staff before dropping in the safe. Accounting Assistant and Fiscal staff will provide dual verification when removed from the safe. This will be continually monitored by VCAS Management."

5. **Security Cameras.** The security cameras at the Simi Valley animal shelter needed to be redirected to oversee cash transaction and cash holding areas. In response to a burglary and vandalism that occurred in April 2014, VCAS installed a security camera system at the Simi Valley animal shelter. However, the cameras were positioned without supervisory/management oversight during installation. While cameras were located throughout the premises, all cameras were focused on the animal kennels or parking lot rather than the administrative office where monetary transactions occur between staff and customers. Cameras also were not focused on the safes, although one safe had been breached during the burglary. Appropriate positioning of security cameras in the office would help deter theft of funds and identify responsible individuals in case of theft.

**Recommendation.** VCAS management should reposition security cameras to cover cash control areas in the Simi Valley administrative office.

**Management Action.** VCAS management stated: "This item has been addressed. Cameras were repositioned in Fall 2014 to correct the issue."

6. **Field Receipt Accountability.** VCAS did not ensure that all field receipt numbers (i.e., D-receipts) were submitted for deposit. D-receipts are handwritten receipt slips used by animal control officers to document collections in the field. Because Chameleon will generate unrelated receipt numbers when D-receipt collections are posted, VCAS records the D-receipt number in the Chameleon "check number" field for tracking. VCAS could then, but did not, generate a report to ensure that all D-receipt numbers were posted in Chameleon, and if not posted, verify the disposition of any missing receipt numbers (e.g., voided receipts). Our testing of 39 D-receipts confirmed that all receipt numbers were posted in Chameleon or were voided. However, without verification by VCAS that each D-receipt has been accounted for, VCAS would be unaware of whether any misappropriation occurred. In addition, our review of the "D-Receipt Book Inventory Log", which is used to track issued and returned D-receipt books, for March through October 2014 disclosed that: one book of 25 receipts was not logged; and the log was not completely filled out with "Date Book Turned In", "Verified By", and "Voided Receipt Numbers". This indicated that the log was not being used to help ensure that the full sequence of D-receipts was accounted for upon return of each book.

**Recommendation.** VCAS management should establish and enforce written procedures for the issuance, collection, and reconciliation of D-receipt slips and books.

**Management Action.** VCAS management stated: "VCAS Leadership recently attended a conference related to this item and has solutions to address the issue. Leadership staff will meet and develop a policy to address moving forward. The Clerical Supervisor will help create and enforce written procedures and provide additional oversight over the reconciliation of D-receipt slips and books. The approximate timeframe is 6 months before the Clerical Supervisor position is filled, trained and integrated into the organization. VCAS will set a goal to have the new procedure fully implemented by November 2017. Management will review and continually monitor once the new process is in place."

7. **License Tag Accountability.** VCAS's process to manage and control animal license tags was not always sufficient, resulting in the risk that license tags could be sold without remitting the money to VCAS. A "License Tag Inventory Log" was used to document the license tag numbers distributed to the VCAS front counter, veterinary clinics, etc., for eventual sale to the public. VCAS later confirmed that the distributed tags were actually sold by running a "Gap Report" from Chameleon, which identified the tag



numbers that had not been sold. These unsold tag numbers could then be traced back to the "License Tag Inventory Log" to identify where the tag numbers had been distributed for follow-up by VCAS. However:

- On the "License Tag Inventory Log", VCAS did not fill out the columns for "Missing Tags", "Date Returned", and "Verified By" to document if any unsold tag numbers had been returned.
- On the "Gap Report" provided during the audit, VCAS did not document any relevant information on the whereabouts of over 5,200 missing license tags.
- VCAS only reviewed the "Gap Report" annually, a cumbersome process for thousands of missing tag numbers, rather than reviewing the "Gap Report" more frequently. For example, the "Gap Report" could be used to account for missing tags when a new batch of tags was distributed to the same person/party.

**Recommendation.** VCAS management should establish written procedures to account for license tags. The "License Tag Inventory Log" should be completely filled out. The "Gap Report" should include relevant information regarding research on missing tags, and the "Gap Report" should be reviewed more frequently and used more strategically to account for missing tags.

**Management Action.** VCAS management stated: "VCAS Leadership recently attended a conference related to this item and has solutions to address the issue. Leadership staff will meet and develop a policy to address moving forward. The Clerical Supervisor will help create and enforce written procedures and provide additional oversight over this process. The approximate timeframe is 6 months before the Clerical Supervisor position is filled, trained and integrated into the organization. VCAS will set a goal to have the new procedure fully implemented by November 2017. Management will review and continually monitor once the new process is in place."

8. **Citations.** Improvements were needed to ensure that dismissed citations were justified and that refunds of citation payments were processed to animal owners in a timely manner. A citation may be issued to an animal owner for a County code violation, such as failure to license an animal, which the animal owner must pay, may appeal, and may have dismissed. If dismissed, the animal owner is due a refund of the citation amount paid.

A. **Justification for Dismissed Citations.** The justification for dismissed citations was not always documented on the report used by VCAS to oversee the appropriateness of dismissed citations. VCAS compiles a report of dismissed citations, which includes justification for each dismissal, and reviews the report periodically for reasonableness. Of 91 citations that were issued during October through December 2014, and ultimately dismissed, 19 (21%) totaling \$3,590 were not listed on the report accompanied by a justification for the dismissal. Without proper justification of each dismissed citation, whether the dismissals were valid and appropriate could not be determined.

**Recommendation.** VCAS management should ensure that a proper documented justification for each citation dismissal is included on the report used by VCAS for oversight of dismissed citations.

**Management Action.** VCAS management stated: "VCAS agrees with the recommendation and the Supervising Animal Control Officer has drafted a policy, which Management will review and implement. VCAS will set a goal to have the new procedure fully implemented by November 2017."

- B. **Refund of Citation Payments.** VCAS did not always properly monitor refunds owed to animal owners because of overpaid or dismissed citations. VCAS receives a "Citation Status Report" from the outside collection agency that identifies amounts owed to animal owners because of overpaid or dismissed citations. The collection agency will refund the amounts, however, only upon request by VCAS or the animal owner. Our review of the "Citation Status Report" for citations issued during October through December 2014 disclosed that three refunds were due but had not yet been processed. These refunds totaling \$367.80 were not processed until we questioned the items during our audit field work in 2016. Although VCAS compiled a report of refunds processed, the report did not identify refunds due, which may have contributed to why VCAS did not request the refunds for the animal owners.

**Recommendation.** VCAS management should review the collection agency's "Citation Status Report" to identify refunds due. The refunds due and processed should be documented on the VCAS report of processed refunds and verified by VCAS management.

**Management Action.** VCAS management stated: "VCAS staff will follow up with Data Ticket (the current vendor), set up a frequency to receive their report and verify the amount to be refunded. VCAS will set a goal to have the new procedure fully implemented by November 2017. Management will review and continually monitor once the new process is in place."

9. **Animal Relinquishment Forms.** Completed "Animal Relinquishment" forms did not always accompany refunds of fees for animals returned to the Camarillo animal shelter. If an animal is relinquished to VCAS within 30 days of adoption, a refund of the related adoption and license fees may be requested by the animal owner. At the time of relinquishment, an "Animal Relinquishment" form is required to be signed by the animal owner. The signed form releases the County from liability and damages that may arise while the animal was in the relinquishing owner's custody, and transfers the right and title of the animal to the County. Out of 19 refunds given for animals relinquished to the Camarillo animal shelter during August through October 2014, 12 (63%) refunds were not accompanied by an "Animal Relinquishment" form. Allowing animals to be relinquished without the "Animal Relinquishment" form could expose the County to lawsuits and claims arising from issues with the animal.

**Recommendation.** VCAS management should ensure that an "Animal Relinquishment" form is submitted each time an animal owner surrenders an animal back to VCAS.

**Management Action.** VCAS management stated: "Management will review current process and implement a procedure so relinquishments are handled consistently. The Clerical Supervisor will help create and enforce written procedures, review all existing forms and provide additional oversight over the front counter process to ensure continuity. The approximate timeframe is 6 months before the Clerical Supervisor position is filled, trained and integrated into the organization. VCAS will set a goal to have the new procedure fully implemented by November 2017. A new refund request form has been initiated in the interim."

## **AUDITOR'S EVALUATION OF MANAGEMENT ACTION**

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We believe that management actions taken or planned were responsive to the audit findings. VCAS management planned to complete corrective action by November 30, 2017.