

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Jackie Rose, Director, Animal Services

Date: March 24, 2020

From: Jeffery S. Burgh

Subject: FOLLOW-UP AUDIT OF CONTROLS OVER COLLECTIONS AND DEPOSITS
FOR VENTURA COUNTY ANIMAL SERVICES

We have completed our follow-up audit of internal controls over collections and deposits for Ventura County Animal Services ("VCAS"). Our overall objective was to determine whether appropriate corrective actions were taken by VCAS management to address the issues noted in our prior audit report dated May 8, 2017. 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, VCAS management made progress in improving internal controls over collections and deposits, and fully implemented corrective action for 5 (50%) of the 10 prior findings. For example, mailed payments were processed within established time frames, and security cameras were repositioned to cover cash control areas.

However, action was still needed to address the remaining five prior findings. Specifically, we noted that:

- Segregation of cash handling duties was not always maintained, which exposed cash to the risk of loss or misappropriation.
- The ability to identify responsible persons in case of theft was diminished by lack of dual custody when removing money from safes.
- Money could be collected but not remitted to VCAS due to lack of accountability for field receipts and animal license tags.
- VCAS could be exposed to liability if proper forms are not signed when animals are returned to VCAS.

VCAS management initiated corrective action to address our findings. VCAS management planned to complete corrective action by December 2021.

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

Attachment

Jackie Rose, Director, Animal Services

March 24, 2020

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cc: Honorable Kelly Long, Chair, Board of Supervisors
Honorable Linda Parks, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Robert O. Huber, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Michael Powers, County Executive Officer

County of Ventura
Office of the Auditor-Controller



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

March 24, 2020

**Jeffery S. Burgh
Auditor-Controller**

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

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FOLLOW-UP AUDIT OF CONTROLS OVER COLLECTIONS AND DEPOSITS 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 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”) 2018-19, VCAS recognized revenues of \$5.7 million.

SCOPE

Our overall objective was to determine whether VCAS management implemented appropriate actions to address the 10 issues identified during our previous audit completed on May 8, 2017. Specifically, we determined whether internal controls were improved in the following areas:

- collections and deposits;
- animal license tag accountability; and
- citation dismissals and refunds.

Our audit included review of selected transactions during FY 2018-19. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

FINDINGS

Overall, we found that VCAS management made progress in improving internal controls over collections and deposits. Corrective actions had been fully implemented for 5 (50%) of the 10 prior findings. For example:

- Cash receipts (“CRs”) were processed in the Ventura County Financial Management System (“VCFMS”) in a timely manner.
- Time frames for processing mailed payments were established and enforced.
- Security cameras were repositioned to cover cash control areas in the Simi Valley administrative office.
- Justification for dismissed citations was properly documented, and refunds due to overpaid or dismissed citations were processed in a timely manner.

However, action was still needed to address the remaining five prior findings. Following are details of the areas where improvements were needed, and the Appendix summarizes the status of corrective actions taken since our prior audit. VCAS management initiated corrective action in response to the current audit as noted.

1. **Segregation of Duties.** Although VCAS hired an Accounting Assistant in October 2016 to help with segregating cash handling duties, backup staff was not assigned to maintain proper segregation of duties when regular Accounting staff was not available. County of Ventura ("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...." For one (20%) of five weekdays we tested, only one person reconciled safe drops, generated and reconciled the daily revenue report from Chameleon, prepared the daily deposit, and recorded the revenue in VCFMS. We were informed that this occurred because the Accounting Assistant was not available that day. As a result, cash was at risk of loss or misappropriation because key processes were performed by only one person.

Recommendation. VCAS management should develop a protocol for backup segregation of duties for proper cash handling when regular Accounting staff is not available.

Management Action. VCAS management agreed to implement corrective action and stated: "During the times when one of the regular Accounting staff is out of the office, an additional staff member (primarily the Fiscal/Admin. Manager) will be assigned to assist in reconciling and preparing the daily deposit to ensure separation of duties and proper cash handling. Management will continually monitor the new process in place. Additionally, VCAS has requested (1) additional Accounting Technician position to help with the segregation of duties."

2. **Removing Money from Safes in Dual Custody.** VCAS had not taken action to implement dual custody procedures when removing money from the safes and verifying amounts. 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 one member of the Accounting staff, another employee was not present to confirm the amounts. Therefore, in the event of missing cash, accountability could not be attributed to the person who dropped the money in the safe or the person who removed the money from the safe.

Recommendation. VCAS management should assign a second person to perform the dual custody procedures when removing money from the safes.

Management Action. VCAS management agreed to implement corrective action and stated: "Both Accounting staff are now present when contents of safe are removed and it is verified by both staff members in the Safe Drop Log Sheet. In the event one of the Accounting staff members is not in the office, the Fiscal/Admin. Manager, or an additional VCAS staff member will be present. Management will continually review the new process in place. However, based on operational constraints and geographical challenges, it won't be possible for money to be removed from the Simi Valley shelter location in dual custody. Currently, only the Deputy Director removes safe drops from the Simi Valley shelter location and the funds are reconciled against the cash drop log by accounting staff at the Camarillo shelter location. Infrequently, the Fiscal/Admin. Manger performs this task when the Deputy Director is unable."

3. **Field Receipt Accountability.** Although written procedures were established for the issuance and collection of field receipt (i.e., D-receipt) books, VCAS had not taken action to ensure that all D-receipt slips are submitted for deposit. D-receipts are handwritten receipt slips used by animal control officers to document collections in the field, which can be subject to misappropriation if accountability is not established over D-receipt slip numbers. Our testing of 50 D-receipts confirmed that all receipt numbers were posted in Chameleon or were voided. However, without regular verification by VCAS that each D-receipt has been accounted for, VCAS would be unaware of whether any misappropriation occurred.

Recommendation. VCAS management should establish and enforce written procedures for the reconciliation of D-receipt slips.

Management Action. VCAS management agreed to implement corrective action stated: "Written procedures for issuance of D-Receipts have been updated to include the reconciliation process. A reconciliation report has been created for Animal Control Officers to verify all D-Receipts have been recorded in Chameleon before the book is returned to the Field Services Manager. Once the Field Services Manager records the book was returned in the 'D-Receipt Book Inventory Log', he will submit the book to Accounting. Accounting staff will then review and file D-Receipt books once fully reconciled. Management will continually review the new process in place."

4. **License Tag Accountability.** VCAS management had not taken sufficient action to mitigate the risk that animal license tags could be sold without remitting the money to VCAS. The current policy for license tags covers the ordering and delivery of tags, and the issuance of tags to employees and outside facilities (e.g., veterinary hospitals) for sale to the public. The policy also discusses the verification process by generating a "Gap Report" to identify tag numbers that have not yet been accounted for in Chameleon; however, we were informed that the "Gap Report" is no longer utilized. Although the "Animal License Custody Log" tracks where blocks of license tags are issued, a process is needed to ensure that all tags issued are accounted for eventually as paid in Chameleon.

Recommendation. VCAS management should establish written procedures to account for license tags in Chameleon after the tags are issued.

Management Action. VCAS management agreed to implement corrective action and stated: "VCAS management is continuing to review inventory controls within our operating software (Chameleon) that will facilitate the tracking of tags and automate sequence and gap reports. Management will be working with Chameleon support to identify this process. Once this process is established, procedures will be developed to ensure all tags are accounted for. Management has set a goal to complete this by 2021."

5. **Animal Relinquishment Forms.** Further action was needed to ensure that "Animal Relinquishment" forms are completed when animals are returned to VCAS. A relinquishment 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 a sample of 19 refunds given for animals returned to VCAS during January through July 2019 that we selected, 4 (21%) were not accompanied by an "Animal Relinquishment" form. Furthermore, VCAS did not have written policies and procedures instructing employees to ensure that a relinquishment form is completed when an animal is surrendered to VCAS. Continuing to allow customers to return animals without properly filling out a relinquishment form exposes 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. Written policies and procedures should be established to provide consistent guidance regarding responsibilities in obtaining signed “Animal Relinquishment” forms.

Management Action. VCAS management agreed to implement corrective action and stated: “Written procedures will be established to ensure a Relinquishment Form is completed when an animal is returned within the 30-day refund period. Accounting staff will enforce procedures by ensuring the form is submitted with each refund request before the refund is processed. The procedures will be fully implemented by May 2020.”

AUDITOR’S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the audit findings. VCAS management planned to complete corrective action by December 2021.

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

CORRECTIVE ACTION IMPLEMENTATION SUMMARY

Prior Audit Finding	Status of Corrective Action
1. Due to limited staffing and employee turnover, duties were not always appropriately segregated to facilitate the proper handling of cash collections. [Prior Finding 1]	Partially implemented. [Current Finding 1]
2. CRs were not always processed in VCFMS in a timely manner, which further exposed cash collections to loss or misappropriation. [Prior Finding 2]	Implemented.
3. Written procedures did not sufficiently specify and instruct VCAS staff on the timely processing of payments received by mail. [Prior Finding 3]	Implemented.
4. 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. [Prior Finding 4]	Not implemented. [Current Finding 2]
5. The security cameras at the Simi Valley animal shelter needed to be redirected to oversee cash transaction and cash holding areas. [Prior Finding 5]	Implemented.
6. VCAS did not ensure that all field receipt numbers (i.e., D-receipts) were submitted for deposit. [Prior Finding 6]	Partially implemented. [Current Finding 3]
7. VCAS's processes 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. [Prior Finding 7]	Partially implemented. [Current Finding 4]
8. The justification for dismissed citations was not always documented on the report used by VCAS to oversee the appropriateness of dismissed citations. [Prior Finding 8(A)]	Implemented.
9. VCAS did not always properly monitor refunds owed to animal owners because of overpaid or dismissed citations. [Prior Finding 8(B)]	Implemented.
10. Completed "Animal Relinquishment" forms did not always accompany refunds of fees for animals returned to the Camarillo animal shelter. [Prior Finding 9]	Partially implemented. [Current Finding 5]