



*METROPOLITAN GOVERNMENT OF NASHVILLE  
AND DAVIDSON COUNTY*

*INTERNAL AUDIT SECTION*

**Professional Audit, Advisory, and Consulting Services**

## **AUDIT REPORT**

### **Financial Control and Compliance Audit of the Metropolitan Government of Nashville and Davidson County Animal Control Facility**

Date Issued: June 4, 2007

Office Location and Phone Number

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*METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON  
COUNTY*

*INTERNAL AUDIT SECTION*

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June 4, 2007

Mr. Stan Romine, Director  
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### **Report of Internal Audit Section**

Dear Mr. Romine:

We have completed a financial control and compliance audit, which follows the procedural standards of a performance audit, of the Metropolitan Government of Nashville and Davidson County ("Metropolitan Government") Animal Control Facility ("Metro Animal Control"), focusing on revenue collection and related transactions. Additionally, we conducted a comparative peer analysis with information gathered from seven peer facilities selected for their overall comparability to Nashville. Factors considered in selecting the peer facilities included, but were not limited to, human population, human population growth, regional location, geographic size, and previous working knowledge. The selected peer facilities were Austin, Charlotte Mecklenburg, Chattanooga, Indianapolis, Knoxville, Louisville, and Memphis. Detailed information was gathered from each of the peer facilities on the department organization, staffing, budget, and various other operating matrices.

*Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States define performance audits as follows:

Performance audits entail an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria as well as assessments that provide a prospective focus or that synthesize information on best practices or cross-cutting issues. Performance audits provide information to improve program operations and facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and improve public accountability. Performance audits encompass a wide variety of objectives, including objectives related to assessing program effectiveness and results, economy and efficiency, internal control, compliance with legal or other requirements, and objectives related to providing prospective analyses, guidance, or summary information.

A performance audit is different than a financial statement audit, which is limited to auditing financial statements and controls, without reviewing operations and performance. Internal control objectives relate to management's plans, methods, and procedures used to meet its

mission, goals, and objectives. Internal control includes the processes and procedures for planning, organizing, directing, and controlling program operations, and the system put in place for measuring, reporting, and monitoring program performance.

### **Objectives, Scope, and Methodology**

The primary objectives of this financial control and compliance audit included the following:

- An examination of the business processes employed by Metro Animal Control and Department of Health central functions for revenue collection, purchasing and expenditures, payroll and personnel, and petty cash;
- Identification of weaknesses and strengths in the internal control environment and their impact on operations;
- Identification of the actual financial and/or operational impact on operations from weaknesses and strengths identified; and
- Provide recommendations to Metro Animal Control and Department of Health management that can serve as a tool for improving the overall internal control environment.

Our work focused primarily on the period July 1, 2005 through December 31, 2006 financial balances, transactions, and performance on the processes in place during the time of the audit. Certain analyses required the consideration of financial results, performance, and operations outside that time period.

The methodology employed throughout this audit was one of objectively reviewing various forms of documentation, including written policies and procedures, financial information and various forms of data, reports and information maintained by the Metropolitan Government Public Health Department's Administrative Office. Management, administrative and operational personnel, as well as personnel from other Metropolitan Government departments and other stakeholders were interviewed, and various aspects of the Metro Animal Control were directly observed. We performed our procedures in accordance with *Generally Accepted Government Auditing Standards*.

In discharging our professional responsibilities, we observed the principles of serving the public interest and maintained the highest degree of integrity, objectivity, and made decisions that were consistent with the broader public interest. Additionally, we were free both in fact and appearance from personal, external, and organizational impairments to independence. In applying *Generally Accepted Government Auditing Standards*, we used professional judgment when establishing scope and methodologies for our work, determining the tests and procedures to be performed, conducting our work, and reporting results.

### **Summary and Conclusion**

We have summarized below the significant issues related to the reportable findings from each the different audit sections resulting from the reviews and analysis performed. Details regarding the specific audit findings are included in the "Audit Findings and Recommendations" section of our report. Responses were provided by management and

listed within the individual findings and recommendations addressing each finding on an individual basis.

- All Metro Animal Control employees exert maximum effort to care for all animals that enter the Metro Animal Control facility in the most humane manner. We observed several instances where employees conducted themselves professionally and had the concerns of both animals and customers in mind when making decisions;
- Central payroll processes need significant improvements. We identified 16 occurrences of documentation not matching what was entered into the payroll tracking system, 123 occurrences where either vacation taken, sick taken, or compensatory time earned was not supported by documentation, three examples of employees working less than 40 hours in a work week but were paid for 40 hours, recalculated ending balances for vacation, sick, and compensatory time had a total variance of 350 hours, an error in separation pay of \$2,342.00, and the Department of Health is not following their adopted civil service rules for the treatment of compensatory and overtime by not giving employees an option to either be paid overtime or accrue compensatory time;
- Revenue and cash handling procedures are not sufficient to prevent or detect in a timely manner errors or irregularities. Issues identified were the point-of-sale system controls cannot prevent misappropriations of assets, Metro Animal Control lost at least \$7,068.00 of revenue, and the Department of Health Business Office is not providing adequate guidance; and
- Poor accounting treatment of procurement transactions has effected the financial reporting of Metro Animal Control. Expenditure transactions, which should be journalized through an expenditure account, were journalized through a revenue account effectively understating both expenditures and revenue by \$49,838.10. Mismanaging accounting entries prevents accurate reviews of budgetary information and distorts the actual financial position.

### **Auditors' Responsibility**

In order to maintain and broaden public confidence, auditors need to perform all professional responsibilities with the highest degree of integrity, professionalism, and objectivity when dealing with audited entities and users of the auditors' reports. Additionally, auditors should be honest and candid with the audited entity and users of the auditors' work in the conduct of their work, within the constraints of the audited entity's confidentiality laws, rules, or policies.

Service and the public trust should not be subordinated to personal gain and advantage. Auditors should be objective and free of conflicts of interest in discharging their professional responsibilities. Auditors are also responsible for being independent in fact and appearance when providing audit and attestation services. Independence precludes relationships that may in fact or appearance impair auditors' objectivity in performing an audit or attestation engagement. The maintenance of objectivity and independence requires continuing assessment of relationships with the audited entities in the context of the auditors' responsibility to the public.

In applying *Generally Accepted Government Auditing Standards*, auditors are responsible for using professional judgment when establishing scope and methodologies for their work, determining the tests and procedures to be performed, conducting the work, and reporting the results. Auditors need to maintain integrity and objectivity when doing their work to make decisions that are consistent with the broader public interest in the program or activity under review. When reporting on the results of their work, auditors are responsible for disclosing all material or significant facts known to them which, if not disclosed, could mislead knowledgeable users, misrepresent the results, or conceal improper or unlawful practices.

### **Management's Role**

Process owners and managers are entrusted to properly manage the resources under their control. To meet their obligations, process owners and managers are responsible for:

- Applying those resources efficiently, economically, effectively, and legally to achieve the purposes for which the resources were furnished or the program was established;
- Complying with applicable laws and regulations, including identifying the requirements with which the entity and the official must comply and implementing systems designed to achieve that compliance;
- Establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; resources are used efficiently, economically, and effectively, and are safeguarded; laws and regulations are followed; and reliable data are obtained, maintained, and fairly disclosed;
- Providing appropriate reports to those who oversee their actions and to the public in order to be accountable for the resources used to carry out government programs and the results of these programs;
- Addressing the findings and recommendations of auditors, and for establishing and maintaining a process to track the status of such findings and recommendations; and
- Following sound procurement practices when contracting for audits and attestation engagements, including ensuring procedures are in place for monitoring contract performance.

### **Department Overview**

In 1971, Metro Animal Control moved into the Bordeaux facility from the Rabies Control facility located on White Bridge Road. The Bordeaux facility took a reactive position for the treatment of animals. In 2001, Metro Animal Control moved into their current facility located on 163 acre parcel of land, which is owned by Metropolitan Government. The total square feet of the current facility is approximately 20,000. The current facility has leading edge technology in animal kennel holding, adoption, and quarantine areas. The dog kennel includes 50 adoption, 52 stray, 25 isolation, and 25 quarantine runs. The current facility also houses a separate area for feral cats and another for quarantined cats. Listed below is a synopsis of some of the services Metro Animal Control provides to the community. While the list is not all inclusive, it does provide basic information and general highlights from Metro Animal Control.

- The current rates for animal adoptions are \$90.00 for dogs and \$60.00 for cats. The impound fee is \$50.00 per animal plus \$4.00 per day for boarding. The rabies and other shots are \$14.00.
- Providing 24/7 field response on emergency calls that include bites, injury, and police matters.
- Maintains records of all rabies vaccinations in Davidson County.
- Processing of animals to be sent to the state lab for rabies analysis. Last year, nine rabid skunks were found mostly along the southern boundary of Davidson County.
- Disposal of dead animals, including those brought in by Public Works.
- Animal capture by placing traps, retrieving animals and removing traps.
- Impoundment of animals surrendered at the facility and in the field.
- Provide day-to-day care of the approximate 225 animals in the facility seven days/week.
- Provide cruelty investigations with a prosecution rate of 99 percent after Nashville Humane discontinued providing that service.
- Field chemical capture training and certification with Fatal Plus.
- Field chemical tranquilizer training and certification capture with a veterinarian present required due to state law.
- Humane euthanasia training and certification.
- Certification and training of staff through National Animal Control Association (“NACA”) and Humane Society of the United States (“HSUS”). Additional training and certification was obtained through membership organizations like the Animal Control Association of Tennessee (“ACAT”).
- Safety training to protect school children and others who may come in contact with potentially vicious dogs or other animals and to Metropolitan Government Police Officers on animal aggression.
- Employees and volunteers are made aware of zoonotic diseases by distributing cards to each employee to provide to their physicians regarding diseases that are common to animal care givers.
- Community/neighborhood meetings educating the public on animal safety/practices and rules and regulations.
- Actively participate and help agencies and events supporting animal adoption.
- Provide disaster training and response to our community and provide boarding, identification, care and reuniting services to several animals during a tornado or other natural disaster.

The adoption process begins with helping the customer figure out what kind of animal will do the best in their situation. At that point the customer takes a tour of the kennel, locates an animal, interacts with the animal in a family friendly room, and then fills out an application for adoption. Once the customer has been approved and provided the animal has had its shots and been spayed or neutered, the animal can go home with the customer. Metro Animal Control partners with other organizations, mostly non-profit rescue groups, other shelters, and specialists in exotic animals, to help provide temporary care and shelter to animals while trying to find good homes. Partnering with these organizations helps share the cost and responsibilities for these animals placed within these organizations. The partner organizations are independent with their own policies, fees, and adoption requirements. Metro Animal Control has the primary responsibility of ensuring that animals are properly

vaccinated to prevent the spread of rabies. So more pet owners will have their animals vaccinated, Metro Animal Control, in conjunction with the Nashville Academy of Veterinary Medicine, conducts annual rabies vaccination clinics at 27 local area schools each year to provide low cost charges (\$10.00) to the public.

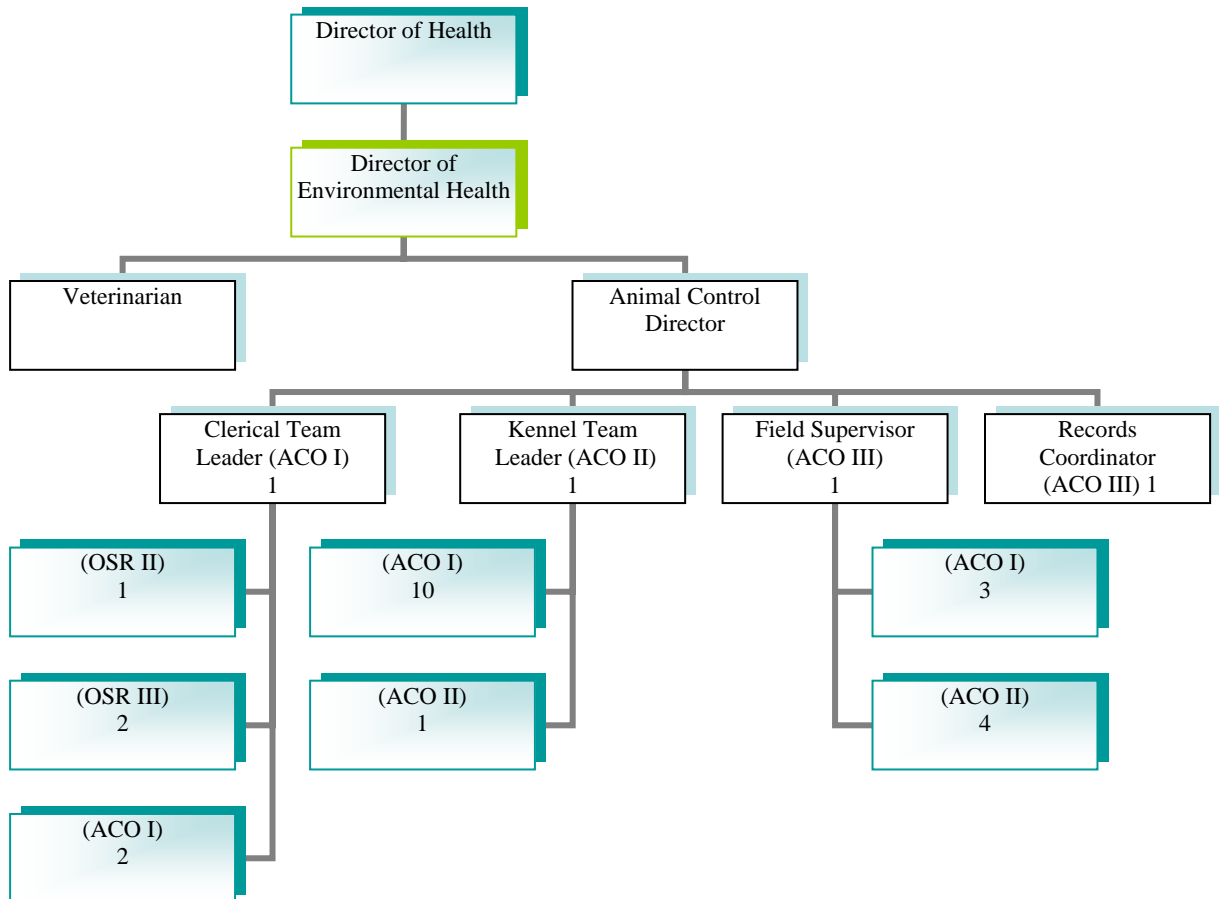
On November 6, 2006, NACA responded by letter to the Director of Environmental Health Services regarding the statistical report he submitted (Metro Animal Control Comparison, FY 1998 versus FY 2006). The NACA continues to utilize Metro Animal Control as a role model to agencies across the United States in regards to how local government, citizens, and the animal welfare community have worked together to improve the quality of life. The statistics presented below for review indicate that Metro Animal Control has improved their effectiveness and has taken a more proactive approach compared to Bordeaux, which took a reactive approach to educating the public and the treatment of animals. Since 1998, there has been a reduction in animal bites, an increase in service calls, adoptions, and rabies/spay/neuter compliance. The table below represents the statistical information analyzed by the NACA to arrive at their conclusion:

	<b>FY 1998</b>	<b>FY 2006</b>	<b>% Difference</b>
Animals Impounded	7,731	14,272	85%
Animals Brought to Metro Animal Control	1,473	9,048	514%
Rabies Vaccinations at Metro Animal Control	-	1,047	-
Spays/Neuters at Metro Animal Control	-	946	-
Bite Reports/Investigations	695	598	(14%)
Adoptions	167	1,462	775%
Requests for Services and Complaints	13,513	19,833	47%
Cruelty Investigations	-	2,087	-
Staff	17	29	71%
Total Budget	\$1,047,079	\$1,606,700	53%



## Organization Structure

Metro Animal Control reports to Environmental Health Services which is a division of the Metropolitan Government Public Health Department. Metro Animal Control has 29 budgeted positions. The organization chart below depicts the current structure.



### Available Positions Summarized:

- Director - 1
- Veterinarian - 1
- Animal Control Officer III (ACO III) - 2
- Animal Control Officer II (ACO II) - 6
- Animal Control Officer I (ACO I) - 16
- Office Support Representative III (OCR III) - 2
- Office Support Representative II (OCR II) - 1

## Financial Information

Metro Animal Control had a total of 29 budgeted positions for fiscal year 2007. The fiscal year 2007 budget for expenditures is \$1,606,700.00. The actual revenues and expenditures for fiscal years ended June 30, 2006 and June 30, 2005 are summarized below:

	<u>FYE 06</u>	<u>FYE 05</u>	<u>\$ Variance</u>	<u>% Change</u>
Revenues:				
Other Taxes, Licenses & Permits	\$ 374,132	\$ 386,076	(11,943)	(3.19%)
From Other Gov't Agencies	(7,500)	7,500	(15,000)	200.00%
Charges for Current Services	<u>124,597</u>	<u>86,453</u>	<u>38,144</u>	<u>30.61%</u>
Total revenues	<u>\$ 491,229</u>	<u>\$ 480,029</u>	<u>11,200</u>	<u>2.28%</u>
Expenditures:				
Personal Services	\$ 1,175,781	\$ 1,128,589	47,193	4.01%
Other Services	321,900	284,536	37,364	11.61%
Supplies & Materials	101,419	89,132	12,287	12.12%
Other	<u>1,100</u>	<u>1,834</u>	<u>(734)</u>	<u>(66.73%)</u>
Total expenditures	<u>\$ 1,600,201</u>	<u>\$ 1,504,090</u>	<u>96,110</u>	<u>6.01%</u>

## Comparative Peer Analysis

As part of our review, we conducted a comparative peer analysis focusing on major operational animal control activities from the cities selected. Peer analysis is the practice of benchmarking or comparing staffing size, service levels, fiscal budgets, and other performance measures against other comparably sized organizations. We have provided below some general information about each comparative peer city facility that we used to complete our comparative peer analysis.

### Austin

Austin's Town Lake Animal Center is the largest animal shelter in Central Texas, providing shelter to over 23,000 animals each year and animal control services to all of Austin and Travis County. A division of the Austin/Travis County Health and Human Services Department, the shelter is an open-intake facility that does not turn animals away. Town Lake Animal Center provides a number of animal-related services to Austin and Travis County, including animal protection and control, pet lost and found, pet adoptions, pet registration, and rabies quarantine.

### Charlotte Mecklenburg

Operated as a division of the Charlotte Mecklenburg Police Department, Charlotte Mecklenburg Animal Control is a multi-faceted agency dedicated to providing the citizens of Charlotte and Mecklenburg County with animal services. They are an organization that values community partnerships and working jointly to build a better world for animals and the people who own them offering several programs including

animal protection and control, pet lost and found, pet adoptions, pet registration, and rabies quarantine.

### Chattanooga

Chattanooga Animal Services is a division within the Chattanooga Police Department which is part of the city government. Every month, Chattanooga Animal Services responds to hundreds of calls for service from the residents of Chattanooga. Chattanooga Animal Services responds to calls about stray animals, but they also respond to complaints of animal cruelty, dangerous animals and animals creating a public nuisance. The McKamey Animal Care and Adoption Center receives all the stray animals for the city of Chattanooga and is responsible for all animal care services. The numbers provided in the subsequent table and analyses include numbers for Hamilton County.

### Indianapolis

The Indianapolis Animal Care and Control Division works in partnership with the community to address problems associated with pet overpopulation, to promote responsible pet ownership and to enhance the health and safety of the community. The Indianapolis Animal Care and Control Division encourages the adoption of pets from animal shelters, enforces ordinances and laws regarding animal-related issues and conducts inspections for the licensing of facilities that sell, groom, and kennel animals.

### Knoxville

The Young - Williams Animal Center in Knoxville, Tennessee is a nonprofit organization that turns no animal away. The Young - Williams Animal Center is dedicated to the sheltering and placement of animals, general animal welfare, and public education of animal overpopulation issues. The Young - Williams Animal Center vision is to be a leader in developing a community in which no adoptable animal is euthanized.

### Louisville

Louisville Metro Animal Services Animal Care Center receives an average of over 14,000 animals annually. Thousands of animals are brought to their shelter as a result of service requests from the community and many are surrendered by their owners. Louisville Metro Animal Services investigate over 24,000 complaints in an average year that range from bite cases to severe inhumane treatment. Louisville Metro Animal Services travels over 225,000 miles a year covering Louisville Metro's 386 square miles. Besides enforcing the Louisville Metro Animal Care and Control Ordinance, the center has a nine person animal care staff that includes a veterinarian, two veterinary technicians, and two adoption coordinators.

### Memphis

Memphis Animal Services offers a wide range of programs and services including the sheltering of lost and homeless animals, pet adoption and placement, spay/neuter programs, handling of animal control complaints, bite cases, dog licensing, cruelty investigations, public information/humane education, and more. The Memphis Animal Shelter houses stray and homeless animals for both the city and county.

### Participating Peer Data Collection Table

The table below shows the information gathered from each of the participating locations. Subsequent analysis will be derived from the information depicted. The total animal amount infers total canines and felines.

Animal Statistical Information for Fiscal Year 2006									
	Austin	Charlotte	Chattanooga	Indianapolis	Knoxville	Louisville	Memphis	Nashville	Average (All)
Square Miles	295	280	575	396	526	386	343	533	<i>416.75</i>
Sheltered Animals	24,357	18,268	11,503	18,221	16,195	13,962	16,010	14,272	<i>16,599</i>
Reclaimed	2,923	2,132	70	1,312	960	1,216	1,152	1,047	<i>1,352</i>
Number of Bites	2,311	-	891	1,478	-	562	160	598	<i>1,000</i>
Number of Sheltered Dogs/Cats Euthanized	12,343	12,457	8,204	11,882	11,708	9,444	11,276	10,924	<i>11,030</i>
Number of Animals Spay/Neuter	3,154	-	1,322	2,768	-	930	2,031	946	<i>1,859</i>
Number of Animals Adopted	4,129	3,364	978	1,456	2,448	1,883	2,939	1,462	<i>2,332</i>
Animals Registered	31,958	-	4,166	2,397	-	61,847	75,000	92,858	<i>44,704</i>
Human Population	718,912	648,139	313,000	803,576	408,793	699,827	1,324,567	589,000	<i>688,227</i>
Estimated Animal Population	334,200	301,300	145,504	373,557	190,035	325,328	615,750	276,421	<i>320,262</i>
Budgeted FTE's	80	84	29	51	39	41	44	29	<i>49.48</i>
Total Budget (\$)	4,453,757	5,487,868	1,666,543	5,512,604	3,141,979	2,568,400	2,130,751	1,606,700	<i>3,321,075</i>
Operational Location	Health	Police	Police	Public Safety	Police	Public Works	Public Service & Neighborhoods	Health	

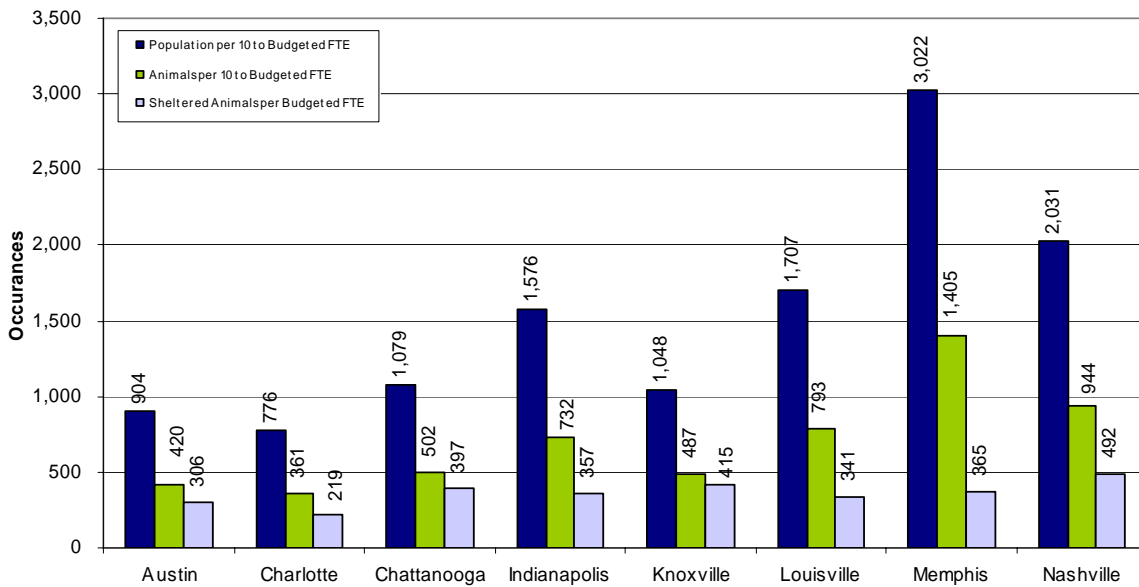
\* The average numbers calculated above were calculated only from facilities that provided information. If a facility did not provide information, they were not used to calculate the average.

From the information provided above, Metro Animal Control was within reasonable ranges with the peer cities animal control facilities in terms of animal's euthanized and animal population. Metro Animal Control does serve a larger area in terms of peer average square miles, operates on a lower budget, performed less sterilizations, but registered more animals than the responding facilities. The functional location of the animal control operations was distributed between law enforcement and non-law enforcement agencies with a slight lean towards non – law enforcement. To assist with the comparative peer analysis, we have grouped relational results/activities and provided some general discussion about the results/activities in the subsequent tables and descriptions.

**Table 1 – Residents, Animals, Incoming Calls per Budgeted Employee**

In order to compare each cities human and animal population, sheltered animal population, and incoming calls per budgeted employee, we factored both the animal and human population by ten. Since it is virtually impossible to calculate or obtain the total animal population, the total animal population was computed using a nationally accepted formula from the National Council on Pet Population Study and Policy that computes the number of animals based on the number of households. Human populations were obtained from each participating city. The remaining data was obtained from each participating city animal control facility.

**Residents (Factor of Ten), Animals (Factor of Ten), and Sheltered Animals,**

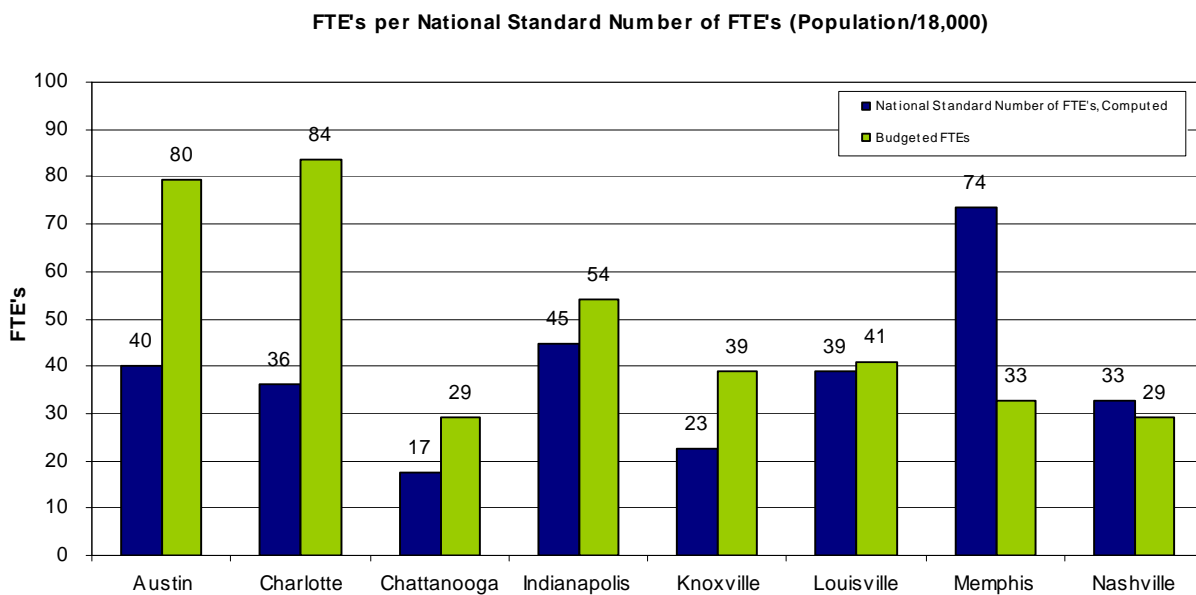


Key points of the above graph:

- Nashville has the second highest human and animal population per budgeted animal control facility fulltime equivalent employee (“FTE”) with Memphis having the highest.
- Nashville has the highest volume of sheltered animals per budgeted animal control facility FTE.

Table 2 – Budgeted Employee per National Standard

We used the International City/County Management Association recommendation for animal control staffing levels to compare all the peer cities. In order to properly staff an animal control facility, the International City/County Management Association recommends one FTE for every 18,000 residents in the service area. By presenting how the comparative peer facilities compare to other facilities within the peer selection, Metro Animal Control, and the national recommended guideline, performance outcomes can be easily compared. For example, if the national staffing standard for each city is not met by the peer facilities, then one can presume that the standard itself may not be applicable to our peer selection because of regional or other considerations. Conversely, if none of the peer facilities meet or exceed the national standard, one could conclude that all the animal control facilities in our peer selection are understaffed.

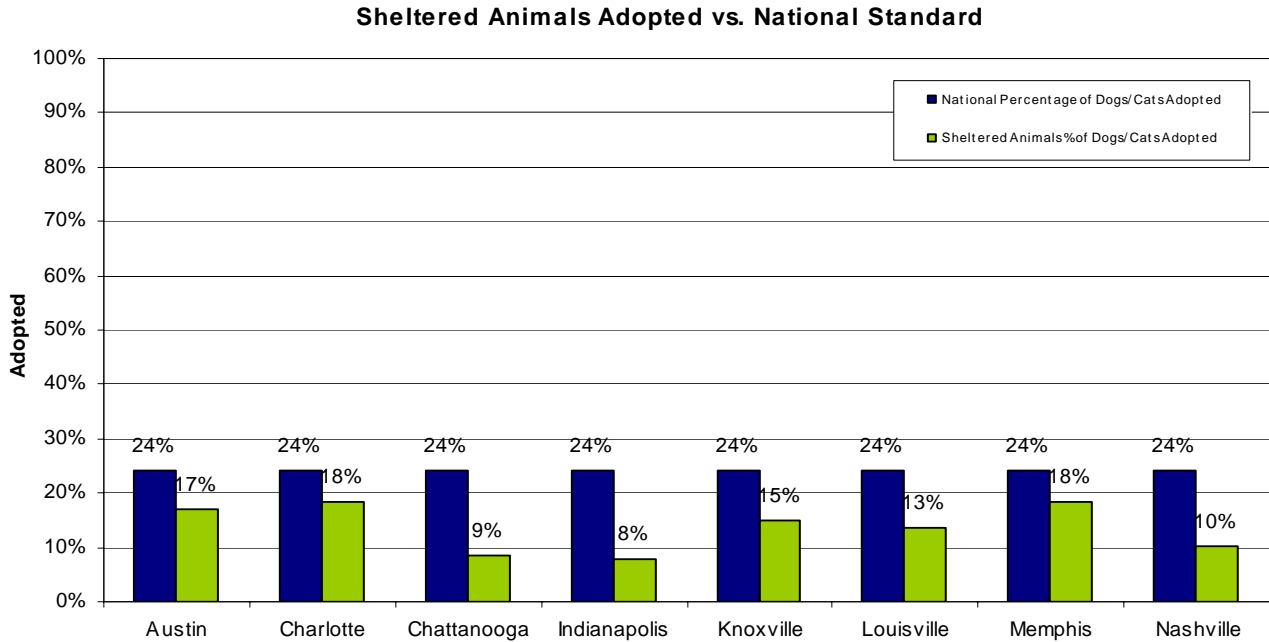


Key points of the above graph:

- Of the eight facilities presented, six (Austin, Charlotte Mecklenburg, Chattanooga, Indianapolis, Knoxville, and Louisville) have more than the recommended number of FTE's.
- The average difference of FTE's for the six facilities with more than the recommended amount (Austin, Charlotte Mecklenburg, Chattanooga, Indianapolis, Knoxville, and Louisville) is 21.17.
- Of the two facilities that have less than the recommended number of FTE's (Memphis – 41, Nashville – 4) Memphis has almost twice the average human population calculated above in the data collection table.
- The peer cities selected do not appear to invalidate the International City/County Management Association recommendation one FTE for every 18,000 residents by any unusual results.

Table 3 – Adopted Animals Compared to National Standard

The National Council on Pet Population Study and Policy provided the national rate for animal adoption. The animal adoption rate is an average of the canine and feline adoption rate. The percent adopted was computed as a percentage of the total shelter population. It should be important to note that the national average is an “average” and not a performance measure. Thus, it should be assumed that all animal shelters strive to adopt as many animals as possible while still following their respective adoption standards.

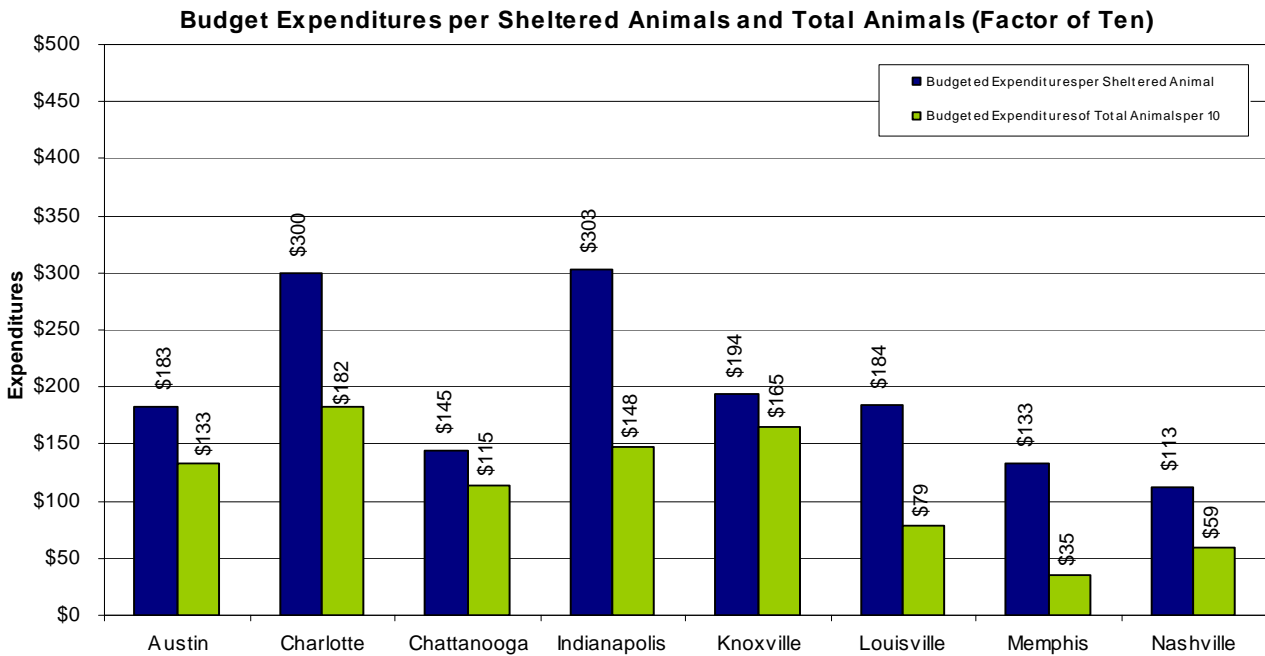


Key points of the above graph:

- None of the facilities are adopting animals above the national average.
- The average adoption rate for the peer group is 13.63 percent, which is below the national average by 10.37 percent.
- Nashville has the third lowest adoption rate and is 14 percent below the national average.

**Table 4 – Budgeted Expenditures per Sheltered Animal and Total Animal Population**

The budgeted expenditure obtained from the participating animal control facilities per sheltered animal represents the amount of funds that are used per animal. Budgeted expenditures per total animals (as a factor of ten) provide a comparison of the budgetary commitment to the animal population. Since the animal population is based on the number of residents, the budgeted expenditure per the animal population provides a comparison of the budgetary commitment to the actual human population as well.



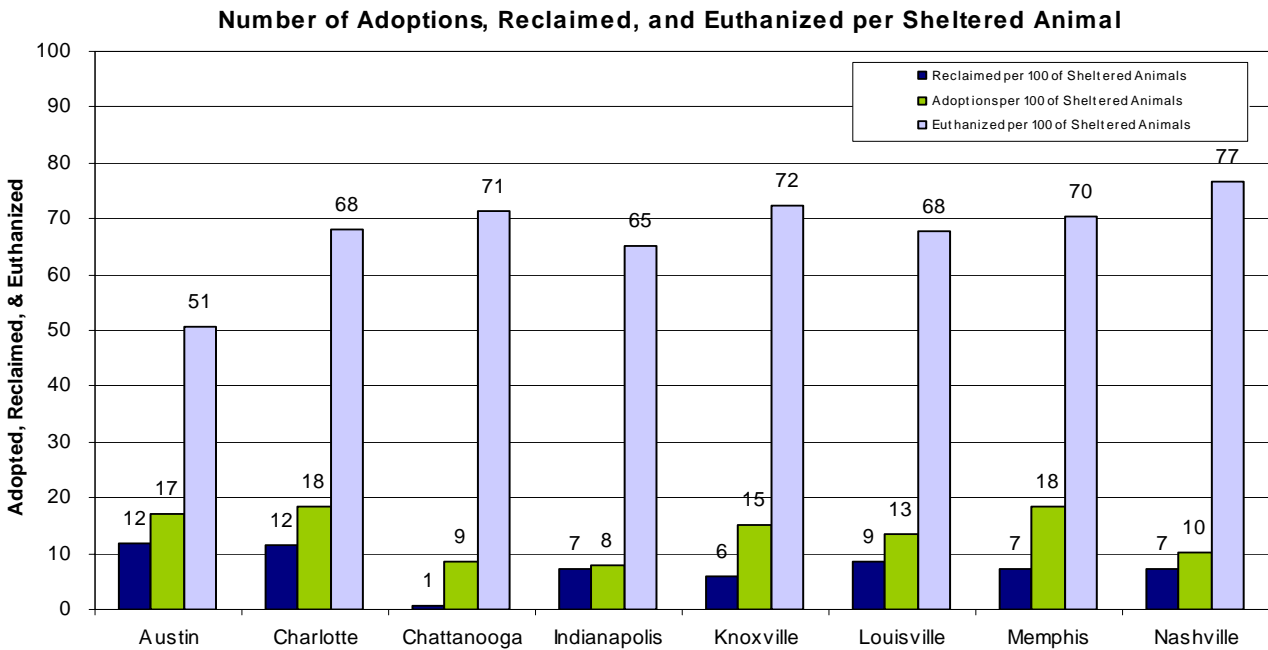
Key points of the above graph:

- Nashville has the lowest budgeted expenditure per sheltered animal and the second lowest budgeted expenditure per total animals.
- The average budgeted expenditure per sheltered animal is \$194.38. The average budgeted expenditure per total animals is \$114.50.



**Table 5 – Adoptions, Reclaimed, and Euthanized per Sheltered Animal**

The number of animals adopted, reclaimed (returned to owner), and euthanized were expressed as a percentage of the total sheltered animal population. All figures were obtained from the participating animal control facilities.

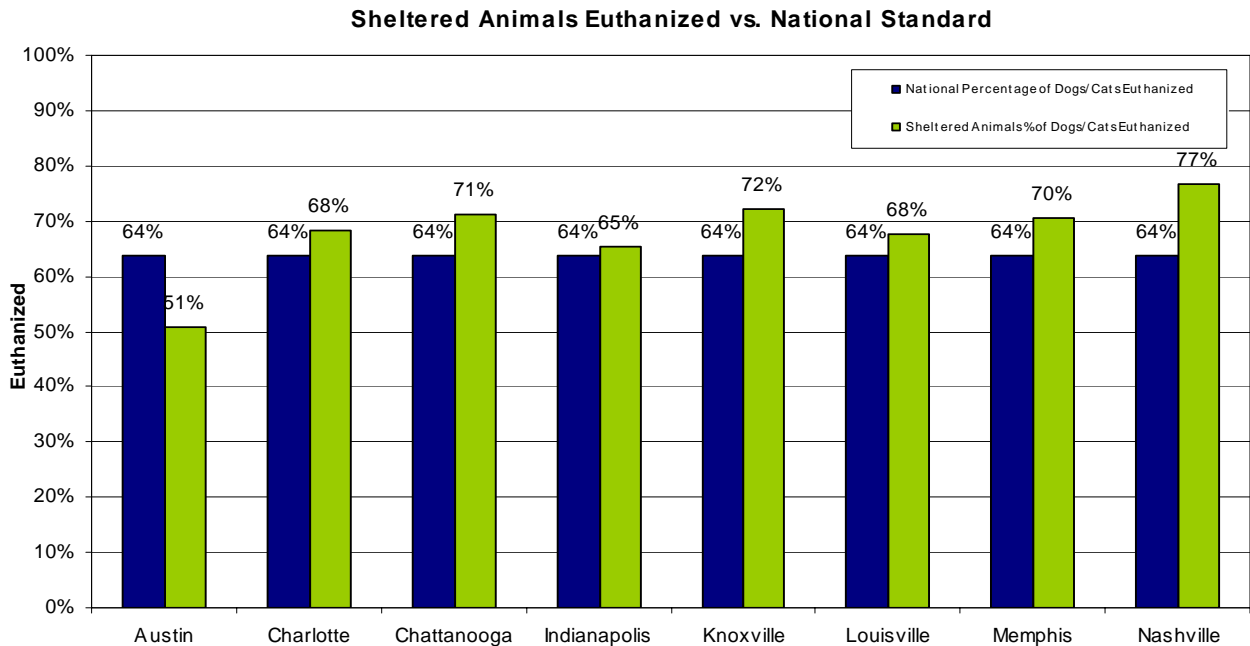


Key points of the above graph:

- The average reclaimed animal per 100 sheltered animals is 7.63. Only three animal control facilities (Austin, Charlotte, and Louisville) are returning animals back to their owners at a higher rate than the peer average.
- The average number of adoptions per 100 sheltered animals is 13.50. Half of the animal control facilities (Austin, Charlotte, Knoxville, and Memphis) are adopting animals at a greater rate than the peer average.
- The average number of animals euthanized per 100 sheltered animals is 67.75. Only two (Austin and Indianapolis) animal control facilities are euthanizing animals at a rate lower than the peer average.
- Nashville was tied with two other facilities for the third lowest reclaimed rate, held the third lowest adoption rate, and had the highest euthanized rate.

Table 6 – Sheltered Animals Euthanized vs. National Standard

We obtained the national average euthanized rate from National Council on Pet Population Study and Policy and the remaining statistics from the participating animal control facilities. It should be important to note that the national average is an “average” and not a performance measure.



Key points of the above graph:

- The average for the peer group is 67.75 percent, 3.75 percent higher than the national average.
- Only one animal control facility, Austin, had a euthanized rate lower than the national average.
- Nashville has the highest euthanized rate.

## **Audit Findings and Recommendations**

We have listed below the reportable findings and recommendations for the objectives listed above. If an objective is not discussed below, no issues were identified or the issues identified were not to the level of a reportable condition and were verbally communicated through the course of fieldwork. Management has responded with “We Agree”, “We Agree with Exception”, or “We Do Not Agree” and supplied an explanation supporting their response along with a high level action plan, if applicable.

### **Payroll**

We reviewed the payroll records for ten of the 29 employees from the period January 1, 2006 through December 31, 2006 and matched the supporting documentation received from the Department of Health to the Metropolitan Government payroll and accounting system (EBS), for accuracy. Additionally, we matched the same supporting documentation received from the Department of Health to their own payroll tracking database (AS400) balances, which is used for tracking annual, sick, personal, and compensatory time. Lastly, we reviewed the general process for preparing payroll entries. From the review completed, we noted the following deficiencies:

1. We identified 16 occurrences where the employee requested leave on the leave slip did not match the leave type code that was entered into the AS400 database by Central Office Support. Because time and attendance is accounted for in the AS400 database, the leave code entered into AS400 should match the supporting leave slip code for the type of leave taken filled out by the employee in order to properly reflect the appropriate leave type taken. When the leave type codes between the leave slip and the AS400 database do not match, it can lead to discrepancies in determining the ending balances for each designated leave type.

### **Audit Recommendation**

Pay codes recorded in the AS400 database need to match the type of leave actually taken when compared to the departmental leave slips in order to properly account for time and attendance records.

### **Management Response**

We agree that time slips should agree with the AS400 database. Due to the system limitations of AS400 database, real-time communication of leave balances cannot be performed which inhibits supervisors and managers from confirming leave balances prior to the actual leave event. Currently, leave balances are reviewed centrally. If it is determined that the employee requesting leave does not have enough time to account for the type of leave requested or should have applied comp time, we enter the adjusted time into AS400. Going forward, we will instruct processors to reflect on the leave slips any adjustments that effect employee leave balances. We currently are reviewing software possibilities that will allow for a more efficient communication of leave balances as well as more efficient payroll processing.

2. According to Civil Service Rules and Regulations 4.6 (E) adopted by the Metropolitan Board of Health effective July 1, 2004, “Non-exempt employees will normally be paid

for unused compensatory time on an annual basis, but may be paid quarterly or semi-annually if provided for in the department's rules. Non-exempt employees who have compensatory time on the books as of December 31, which has not been taken or scheduled by April 30<sup>th</sup> of the following year, will be paid for such compensatory time by May 22, at the employees regular rate of pay at the time payment is made." During our interviews, it was communicated to us by several different employees that they were unclear about the status of the remaining and eventual treatment of compensatory time balances.

#### Audit Recommendation

The Department of Health should take sufficient steps to increase communication to employees explaining their civil service status and the policies contained therein to eliminate any confusion regarding the accrual and use of compensatory time.

#### Management Response

We agree that confusion exists regarding accumulated compensatory time. The Metropolitan Public Health Department adheres to the Civil Service Rules and will make additional efforts to ensure that all employees as well as managers are aware of our policies.

3. We identified one occurrence where 16 hours of sick leave was recorded on an employee timesheet and not entered into the AS400 database or backed up with the supporting departmental leave slip by the Department of Health Business Office. By not properly reviewing employee timesheets, any leave taken that was not supported by the departmental leave slip will remain undetected which can result in over or under stated leave balances.

#### Audit Recommendation

The department should review the timesheet and deduct the 16 hours of sick leave from the employees sick leave balance. All timesheets need to be reviewed for accuracy in detecting any leave time taken that may not be supported by the departmental leave slip.

#### Management Response

We agree with this finding and Animal Control administration has verified the employee in question's leave and has taken the necessary steps needed to adjust their sick leave balance.

4. We identified three employees who did not work the required 40 hours a week but were paid for 40 hours for a total of three occurrences during calendar year 2006. Timesheets need to be verified for accuracy by managers at Metro Animal Control when determining and approving total hours worked each week.

#### Audit Recommendation

Timesheets need to be properly verified for accuracy in determining hours worked. If an employee timesheet does not equal the required hours to be worked that week, the difference should be accounted for as leave without pay or to the appropriate category of annual or personal leave if allowed.

### Management Response

We agree with this finding and recognize that there was a math error on these time sheets which should have been caught. All time sheets are currently being reviewed for mathematical accuracy at the Animal Control supervisory level and at the Central Office Support level.

5. The Department of Health Human Resources is not currently conducting a periodic leave balance verification for sick, annual, personal, or compensatory time. By not conducting a routine verification between what the AS400 database has on file to what each employee has recorded as their stated leave balance, errors may not be identified in a timely matter preventing any under or overstated leave balances from being detected.

### Audit Recommendation

At a minimum of once a year, leave balances for sick, annual, personal, and compensatory time should be verified and communicated to each employee. Each employee should then sign a statement documenting that they are in agreement with their stated leave balances. Because annual and compensatory leave is an accrued liability that is paid out to an employee when they separate from their job, the Department of Health should pay particular attention to these balances. By conducting a routine verification of leave balances, errors can be discovered in a timely manner preventing discrepancies between what an employee has recorded for leave balances and what the department has on file as the official record for leave balances.

### Management Response

We agree with this finding and will be looking for a more user friendly database than the one currently in use. Operating the current database is very labor intensive and has limitations. If possible, we would like to utilize a real time system that would be available to each employee on a current basis. Until we are able to replace the current system, we will implement a verification system as outlined in the above recommendation.

6. One employee tested was due a compensatory time payout of 176.50 hours or approximately \$2,342.00 upon their termination. It was determined that the employee only received \$176.50 which was also improperly coded in the payroll system by the Department of Health Business Office as a regular pay adjustment instead of a compensatory time payout. Proper review should be exercised by departmental staff when handling employee payouts upon their separation.

### Audit Recommendation

The Department of Health should submit the remaining compensatory time payout amount of approximately \$2,166.00 still due to the former employee in a timely manner. The department should also review the policies and procedures in place for handling terminations in order to prevent future occurrences of entering improper separation payouts into the payroll system.

### Management Response

We agree with this finding and have prepared the necessary paperwork to reimburse the employee in question. Payment was requested by Human Resources for 176.50 hours

and was misread in the Business Office. Because the employee was paid in a lump sum for unused vacation, he was not aware of the shortage. In the future, we will submit copies of the employee's leave balance records as back up for the request and instruct Business Office personnel to examine these records prior to requesting payment.

7. According to Civil Service Rules and Regulations 4.6 (B), "non-exempt employees who are required to work in excess of their regularly assigned work schedule may elect to receive compensatory time in lieu of overtime. Such compensatory time off shall be earned at a rate of one and one half (1.50) hours for each hour worked over 40 hours a week. Election of compensatory time must be voluntary on the part of the employee." When an employee works more than 40 hours a week they are required to fill out an accumulated leave slip to document the amount of compensatory time they are due which is sent in with their timesheet for review. Because the accumulated leave slip is the only support used and kept on file by the Department of Health Human Resources division documenting the amount of compensatory time an employee actually earns, we compared the accumulated leave slips supplied to us by the Department of Health Human Resources division to the actual timesheet for support in determining compensatory time earned. During calendar year 2006, we identified 31 occurrences where compensatory time was calculated as earned on the employee timesheet by the Department of Health Human Resources division but the supporting accumulated leave slip was not supplied by the Department of Health Human Resources. This resulted in approximately 88.50 hours or \$1,256.00 of compensatory time earned that was not supported by the required accumulated leave slips.

#### Audit Recommendation

Timesheets need to be mathematically verified accurately in conjunction with the accumulated leave slips in order to determine if an employee has actually earned compensatory time.

#### Management Response

We agree with this finding and refer to our response in Finding No. 1 as part of our improvement strategy. We would also like to explain that in many cases employee time at Animal Control is flexed. If the employee has worked additional hours during the week but has flexed their time, certain time cannot be construed as time spent on the job when calculating overtime. Per Civil Service rules, the only leave construed as time spent on the job is annual, holiday, injury, and jury duty.

8. Departmental leave slips should be filled out and turned in with the weekly timesheets by Metro Animal Control employees whenever they take time off. We noted 123 occurrences (or 164.50 hours of annual, 291.50 hours of sick, and 200.00 hours of compensatory for a total variance of 656.00 hours) of leave recorded in the AS400 database that was not supported by a departmental leave slip. By not having written documentation of the request for time off with a supervisor's approval, future discrepancies can arise in determining the employee's leave balances.

#### Audit Recommendation

Timesheets should be backed up with the required departmental leave slip form so that actual time off by each employee is properly documented and supported in writing.

#### Management Response

We agree with this finding and refer to our response in Finding No. 1 as part of our improvement strategy. Animal Control now has assigned an employee to be their Records Coordinator who reviews all timesheets for accuracy and communicates with the Central Office Support Specialist to ensure consistency in reporting.

9. Department of Health Human Resources supplied beginning and ending annual and sick leave balances could not be reconciled against the required departmental leave slips for nine out of ten employees tested for a total of 306 understated annual hours and 296.50 understated sick leave hours for a total variance of 602.50 hours.

#### Audit Recommendation

All leave taken should be supported with the required departmental leave slip. In addition to the required departmental leave slip, a periodic annual and sick leave balance verification between the department and each employee could help reduce the possibility of discrepancies between ending annual and sick leave balances.

#### Management Response

See our response to Findings Nos. 1 and 5.

10. We reviewed the accuracy of compensatory time balances for all applicable employees in our test population. To arrive at the compensatory time balance, we obtained the beginning of the year compensatory leave balance from the Department of Health Human Resources and added compensatory time earned from employee timesheets then subtracted compensatory time used recorded in the AS400 database supplied by Central Office Support. We calculated a total variance of 350 hours (194.50 over, 155.50 under) of compensatory time. When comparing the same department supplied compensatory leave balances against the required leave slips supplied to us by the Department of Health Human Resources, we calculated a total variance of 216 hours (24.50 over, 191.50 under) of compensatory time.

#### Audit Recommendation

Because compensatory time is a liability the Department of Health must pay their employees, proper accounting for compensatory time earned and used needs to be improved in order to prevent misstatements of compensatory time balances.

#### Management Response

See our response to Finding No. 1. Also, MPHD Human Resources has implemented a new system for filing accumulated leave slips which should facilitate their retrieval.

11. According to Civil Service Rules and Regulations 4.6 (B), “non-exempt employees who are required to work in excess of their regularly assigned work schedule may elect to receive compensatory time in lieu of overtime. Such compensatory time off shall be earned at a rate of one and one half (1.50) hours for each hour worked over 40 hours a week. Election of compensatory time must be voluntary on the part of the employee.” During the course of our fieldwork it was communicated to us by several employees that they were never given the “option” to elect compensatory time in lieu of overtime, rather

it was communicated to them that compensatory time is given for any hours worked over 40 hours in a work week.

#### Audit Recommendation

The Department of Health should implement a method for giving non-exempt employees the option of electing compensatory time in lieu of overtime. There should be a written document sent out to each non-exempt employee once a year that they can sign if they choose to elect to receive compensatory time instead of overtime. By having written documentation of this agreement on file allowing the employee the option of electing compensatory time, the department can ensure adherence to their Civil Service Rules and Regulations.

#### Management Response

We agree and will implement the recommendation.

12. Accurate animal complaint information is not always available upon the start of each animal control officer's shift. Because animal control officers do not have a laptop computer inside their vehicle, they must return to the office to access a computer in order to complete the status of each complaint to which they have responded. This takes time away from the animal control officer's role of answering complaints in a timely manner.

#### Audit Recommendation

Installing laptop computers into each animal control vehicle can greatly reduce the time it takes to respond to a call because an officer can update the status of each complaint immediately after they have responded to it. The animal control officer can also receive outstanding complaints via computer, as well as access previous complaint history if responding to a repeated complaint. We have determined the cost per laptop to range approximately from \$2,000.00 to \$3,000.00. The Department of Health should determine if the cost per laptop is a cost effective alternative to improving efficiency.

#### Management Response

We agree with this finding assuming that funds are available for such a purchase.

### **Revenue**

We reviewed 6.53 percent of the \$826,662.53 of deposits from July 1, 2005 through December 31, 2006 for compliance with the Metropolitan Government deposit procedures and general cash handling controls. Additionally, we reviewed the months of April, May, June, and August of 2006 for accuracy and completeness to the amount of fees charged for each transaction completed by Metro Animal Control. Lastly, we selected 15 animals from the following three outcome types (adopted, euthanized, and returned-to-owner) and traced the procedures completed and verified that all the applicable fees were collected. From the review completed, we noted the following deficiencies:

13. The receivable warrant is the document prepared when revenue received is deposited at the bank. The receivable warrant prepared by Metro Animal Control staff should match the cash box closing report generated from the Metro Animal Control point-of-sale and animal tracking software system, "Chameleon." We identified one occurrence where the



receivable warrant was filled out for \$180.00 and the cash box closing report stated \$200.00, resulting in a \$20.00 shortage in the amount of cash received at Metro Animal Control, and the amount of cash turned in to be deposited on the receivable warrant. Due to a lack of internal controls within the Metro Animal Control daily cash receipting system, the individual who filled out the receivable warrant was able to hard key in the actual amount of cash on hand. The lack of internal controls within the Chameleon system can lead to the misappropriation of assets.

#### Audit Recommendation

System controls need to be added to the Chameleon system at Metro Animal Control preventing any individual from hard keying the amount of cash received on the receivable warrant. The amount of cash reported on the cash box closing report should be automatically tied to the receivable warrant, so if there is a discrepancy in the amount of cash on hand it must be accounted for as an overage or shortage with an accompanying explanation for the discrepancy.

#### Management Response

We agree. The Environmental Health Division has requested that security be added to the Chameleon software so that only Animal Control management or Environmental Health administration can enter reasons for cash adjustments. Until this feature is implemented all discrepancies between Chameleon documentation and cash deposited will be reviewed, noted, and signed by supervisory personnel not involved in cash collection or recording.

14. All adoption fees, including discounts, must be pre-approved by the appropriate authority and included in the department policies and procedures. Currently, the adoption rates are \$90.00 for a dog and \$60.00 for a cat and there are no approved discounts available to customers. During our standard deposit testing we noted 15 instances where dog and cat adoptions were charged at a total discounted price of \$1,099.00. The amount that should have been charged was \$1,230.00; the difference of \$131.00 is considered a loss of revenue due to the unapproved adoption fee discounts. Due to these occurrences, we expanded our testing to review all fees collected at Metro Animal Control from the months of April, May, June, and August of 2006. During our expanded testing, we noted 47 occurrences where adoption fees were charged at a discount for a total of \$1,353.00. The amount that should have been charged was \$3,770.00; the difference of \$2,417.00 is also a loss of revenue due to unapproved adoption fee discounts. Based on these two tests, the total loss of revenue due to unapproved adoption fee discounts was \$2,548.00. Due to a lack of internal controls within the Chameleon system, employees are able to hard key in fee discounts without management approval. Proper review also needs to be implemented by management in order to discover any fee discounts in a timely manner in order to prevent future losses of revenue.

Animals classified as a return to owner are returned to their owner after the appropriate impounding fees are paid. According to Metro Animal Control personnel, the fees charged for an animal returned to its owner are a \$50.00 impound fee and \$4.00 a day room and board fee. Each animal returned to its owner must also have a current rabies vaccination, or the customer will be charged an additional \$14.00 for the rabies vaccination that Metro Animal Control will administer. During our expanded testing on

fees charged for the months of April, May, June, and August of 2006, we noted 42 occurrences where return to owner fees were charged at a discount for a total of \$1,742.00. The amount that should have been charged was \$3,756.00; the difference of \$2,014.00 is attributed to a loss of revenue due to discounted fees. Due to a lack of internal controls within the Metro Animal Control cash receipting system, employees are able to hard key fee discounts associated with return to owner fees into Chameleon without management approval. Proper review also needs to be implemented by management in order to discover any fee discounts in a timely manner which will prevent future losses of revenue.

#### Audit Recommendation

System controls need to be added to the Chameleon system at Metro Animal Control so that all the proper approved adoption rates are automatically assigned to a specific system reason code. When an employee rings up a customer the proper reason code must then be entered in order to complete the transaction, ensuring each adoption is charged at the appropriate set rate. We further recommend that management at the Department of Health Business Office implement an additional review of the Metro Animal Control daily deposit to include verifying that each receipt within the daily deposit was charged at the appropriate adoption fee rate. By reviewing the Metro Animal Control daily deposit in its entirety, discrepancies in fees charged can be caught in a timely manner.

Controls need to be added to the Chameleon system at Metro Animal Control so that all the proper rates associated with a return-to-owner classification are automatically assigned to a specific system reason code. The room and board fees should be automatically calculated based on the time the animal spent at the facility. When an employee rings up a customer the proper reason code should be entered into the system in order to complete the transaction, ensuring that the appropriate fees are charged. We further recommend that the Department of Health Business Office implement a complete review and reconciliation of the Metro Animal Control daily deposit to include verifying that each receipt within the daily deposit was charged at the appropriate fee rate. By reviewing the entire daily deposit, discrepancies in fees charged can be caught in a timely manner preventing future losses of revenue.

#### Management Response

We agree with this finding. In the past such adjustments to charges may have been verbally authorized, but going forward the MPHD will document and implement the necessary controls over fee adjustments. Animal Control administration is compiling a list of exceptions to the standard fee structure to present to the Board of Health at their June meeting. We hope to be able to structure the Chameleon system to maintain control over the adjustments and record such entries on the cash control report. If the Chameleon system cannot support these requirements, a manual system will be put in place requiring supervisory oversight for all reductions in fees.

15. During our standard deposit testing, we noted two occurrences where adoption fees were not charged at all by Metro Animal Control, resulting in a loss of \$150.00 in revenue. Due to these occurrences, we expanded our testing on adoption fees to include the months of April, May, June, and August of 2006. During our expanded testing, we noted

11 occurrences where adoption fees were not charged at all resulting in a loss of \$840.00 in revenue. Based on these two tests, the total loss of revenue was \$990.00.

During our expanded testing on fees charged for the months of April, May, June, and August of 2006, we noted ten occurrences where fees associated with returning an animal to its owner were not charged at all, resulting in a loss of \$590.00 in revenue. Due to a lack of internal controls within the Metro Animal Control cash receipting process, employees are able to hard key in fee discounts into Chameleon without management approval.

#### Audit Recommendation

System controls need to be added to the Chameleon system at Metro Animal Control so that adoptions can not be charged at a zero dollar amount. We further recommend that the Department of Health Business Office management implement a complete review and reconciliation of the Metro Animal Control daily deposit to include verifying that each receipt within the daily deposit was charged at the appropriate adoption fee rate. By reviewing the entire daily deposit, discrepancies in fees not charged can be caught in a timely manner.

System controls need to be added to the Chameleon system at Metro Animal Control so that all the proper rates associated with a return to owner classification are automatically assigned to a specific system reason code and the system should not be able to accept a zero charge unless proper system approval is obtained from a supervisor.

#### Management Response

See our response to Finding No. 14.

16. We were told by Metro Animal Control management that when a veterinarian is on staff, all sterilization procedures need to be performed in house. Through our expanded testing procedures, we identified a total of ten occurrences that we classified as “no charge services” where Metro Animal Control paid for outsourced sterilization procedures and gave unapproved discounts. Three of the ten were for animal adoptions charged at a discount where Metro Animal Control received \$72.00 and outsourced the sterilization procedures. The remaining seven occurrences were for animals returned to their owner where the impound fees were charged at a discount and Metro Animal Control only received \$136.00 and outsourced the sterilization procedures. Aggregated together and utilizing current Metro Animal Control fees, Metro Animal Control only charged \$208.00 and should have charged \$908.00, for a total revenue loss of \$700.00. Not included as part of the loss is the expenditure incurred for the outsourced sterilization services for approximately an additional \$500.00.

#### Audit Recommendation

All fee discounts should be approved and formalized by the appropriate authority and documented in the policies and procedures so that if Metro Animal Control management decides to issue a discount they may do so. The sterilization services should only be outsourced when Metro Animal Control does not have a veterinarian on staff. If sterilization services need to be outsourced, the fees charged for adoptions and return to

owner should at a minimum, cover the cost that Metro Animal Control pays to outsource the sterilization procedure.

Management Response

See our response to Finding No. 14.

17. The Chameleon system at Metro Animal Control lacks the proper controls required to prevent misappropriation of assets. As evidenced by our findings above, we noted numerous instances where fees were not charged appropriately in each fee category at Metro Animal Control resulting in an overall loss of revenue. By having the proper system controls in place, future losses of revenue can be prevented.

Audit Recommendation

The ideal system control environment should include designated authority roles for each system user. Only Metro Animal Control supervisors should have the ability to enter fee discounts within the system which should be designated by a specific reason code for why a discount was given. Additionally, each fee charged at Metro Animal Control should have their own designated system reason code that when entered will automatically generate the proper fees associated with that fee category eliminating the ability for employees to hard key any fees into the system. Lastly, the amount of cash receipts reported on the daily cash box closing report should be automatically tied to the receivable warrant used to prepare the daily deposit in order to prevent the manipulation of cash received.

Management Response

See our response to Finding No. 14.

18. Standard Metro Animal Control operating policies and procedures need to be updated. We reviewed the most current standard operating procedure manual from Metro Animal Control which was dated April 2000, and it did not reflect the current adoption fees or impounding fees. The current operating policies and procedures manual needs to be updated so that Metro Animal Control staff is aware of the proper fees charged at the facility.

Audit Recommendation

Metro Animal Control management in conjunction with the Department of Health Business Office should update the current policies and procedures manual to include the most current fees charged at the facility. Also, the procedure manual should include who has authority to issue discounts and the reasons in which a discount may be issued. By having specific policies and procedures outlined for Metro Animal Control staff to follow, inconsistencies in fees charged will be reduced.

Management Response

We agree with this finding. The Policy and Procedures Manual is currently being updated. All Animal Control employees will be given an updated version by June of 2007. Employees will be asked to sign for the manual and discussions will be held during Wednesday's mandatory staff meeting.

19. We obtained an inventory listing representing all animals housed at Metro Animal Control during fiscal year 2006 from Chameleon and tested 15 animals that were adopted, 15 animals that were returned to their respective owner, and 15 that were euthanized to determine if all the appropriate fees were charged and collected. For the euthanized animals, we verified that the reason for being euthanized was in compliance with department and state policies that require animals stay a certain amount of days prior to disposal and that the reason for disposal be valid and documented. We noted three occurrences where adoption fees were charged at a discount for a total of \$169.00. The amount that should have been charged was \$240.00; the difference of \$71.00 is a loss of revenue.

We also noted four occurrences where the return-to-owner fees were charged at a discount for a total of \$146.00. The amount that should have been charged was \$774.00; the difference of \$628.00 is a loss of revenue. Additionally, we noted three occurrences where return-to-owner fees were not charged at all resulting in additional \$226.00 loss of revenue. Lastly, we did not identify any instances of non-compliance in regard to the euthanized animal test population.

#### Audit Recommendation

As stated above, system controls need to be implemented which will prevent Metro Animal Control staff from charging any amount they chose for fees. Although we realize Metro Animal Control may issue discounts for certain reasons, those discounts need to be pre-approved by the Board of Health, and specific policies need to be documented on when and why discounts may be given.

#### Management Response

See our response to Finding No. 14.

20. General financial management functions performed by the Department of Health Finance and Administration for Metro Animal Control operations need to be improved. As evidenced by all of our findings, the proper internal controls and management oversight needed to effectively manage the Metro Animal Control facility to its maximum capability are not in place. When we inquired as to the individuals that were responsible for managing the financial operations of the Metro Animal Control on a day-to-day and monthly basis, no specific person was provided. The individuals assigned with managing the financial aspects at the Department of Health Finance and Administration should be reviewing and analyzing the revenue received and expenditures incurred by the facility so that informed decisions can be made in a timely manner.

#### Audit Recommendation

The Department of Health should review financial management responsibilities to determine if any performance gaps exist. If it is determined that performance gaps do exist, missing functions should be assigned to the appropriate individual(s). Emphasis should be placed on the internal control environment, proper review and analysis of revenue received, expenditures incurred, and performance towards budgetary and management goals.

### Management Response

We agree and steps are being taken to close this gap. Efforts have been made in the past to address this issue, but because of other job demands employees found it difficult to give this function their full attention.

### Expenditures

We reviewed 34 of the 879 expenditure transactions from July 1, 2005 to December 31, 2006 for compliance with Metropolitan Government procurement policies and general controls. In addition, we reviewed the top five vendors to determine if a contract was utilized and tested for general contract compliance, if applicable. Total expenditures from our test period were \$573,511.72. From the review completed, we noted the following deficiencies:

21. We identified 212 entries totaling \$49,838.10 for payments to vendors that were improperly recorded as a debit to revenue object accounts by the Department of Health Business Office. Debiting expenditures to a revenue object account will ultimately understate the actual expenditures incurred during a specific time period, and also understate revenues, leading to inaccurate assessments when reviewing financial budgets by Metro Animal Control management and decision makers.

### Audit Recommendation

All expenditures should be properly recorded to the appropriate expenditure object account to accurately account for expenditures.

### Management Response

We agree with this finding. This was due to a misunderstanding by Internal Assessment. This is a practice that was established several years ago. Since then protocols in Animal Control have changed several times. The MPHD will implement this recommendation for FY 2008 assuming that the Animal Control budget will allow for the change. We will not increase our below the line expenditures if they are not supported by the budget.

22. We identified one expenditure that was approved by the Department of Health Business Office in the amount of \$202.00 for veterinary services performed that were not within the normal business purpose for services provided to animals housed at Metro Animal Control. Since we were unable to obtain an animal ID (individual animal tracking number) for the animal in question to match against the invoice from the veterinarian, we could not determine if the animal was ever housed at Metro Animal Control. A proper review should have included verifying that each animal listed on an invoice has been issued an animal ID number and that the services performed have a valid business purpose in regards to the proper mission of animal control.

### Audit Recommendation

All reviewers should verify that each invoice requesting payment for veterinary services for animals housed at Metro Animal Control have a corresponding Metro Animal Control issued animal ID number listed on the invoice and that the services performed are within the normal scope of veterinary services. Also, the Department of Health should formally solicit bids from local veterinarians for services to maximize savings.

### Management Response

We agree with this finding and are attempting to locate the appropriate documentation to support this expenditure. We believe this charge to be for a cat whose paws were severely burned and had to have a claw removed.

We will confer with Metro Purchasing about soliciting bids for veterinary services.

### **Procurement Card**

We reviewed 32 of the 163 procurement card transactions from the period July 1, 2005 through December 31, 2006 obtained from the Metropolitan Government procurement card transaction database (Paymentnet) and compared them to departmental source documentation for compliance with Metropolitan Government procurement card policies. Total procurement card expenditures from our test period were \$26,486.47. From the review completed we noted the following deficiencies:

23. As required by Metropolitan Government procurement card policies, sales receipts are supposed to be signed after transactions are completed. We identified seven out of 32 procurement card transactions tested that did not have a signed sales receipt. By not signing the receipt after a transaction has occurred, questions could be raised as to who made the transaction.

### Audit Recommendation

To comply with Metropolitan Government procurement card policies, sales receipts need to be signed after a transaction has occurred. By signing the sales receipt the employee has documented that they have made the transaction.

### Management Response

We agree with exception. However, we would like to make it clear that these signatures may occur subsequent to the order being received since cardholders frequently place phone orders and documentation may be received subsequent to the goods being received. In addition, we feel that since P-card holders have 24/7 on-line access to their P-card transactions that regular review of their account is significant security against unauthorized purchases. Once a P-card holder has marked their activity "reviewed", a degree of recognition has been made.

24. Metropolitan Government procurement card policies state that "Only the person whose name that is embossed on a purchasing card may use that card. No other person is authorized to use the card." We identified three out of 32 procurement card transactions tested where the transaction was made by someone other than the actual cardholder. Upon discussing this issue with the Director of Metro Animal Control, we were told that occasionally the Director of Metro Animal Control will allow an animal control officer to use their card to buy animal supplies in emergency situations.

We were also told by the Director of Metro Animal Control that the Central Office Support located at the Department of Health Business Office assigned with the responsibility of purchasing goods for Metro Animal Control will commonly use the Director of Metro Animal Controls' purchasing card account number to pay for items

ordered over the phone without obtaining prior approval. During our discussions with Central Office Support, it was noted that they were only using the Metro Animal Control Director's purchasing card because their established monthly purchasing card limit was not high enough to process the purchases they were responsible for making.

#### Audit Recommendation

All transactions made on a Metropolitan Government procurement card should only be made by the person whose name is embossed on the card to prevent the possibility of abuse. While conducting our fieldwork, we recommended that the Central Office Support responsible for procuring Metro Animal Control goods and services have their monthly purchasing card limit increased so that they can properly perform their purchasing responsibilities with their own purchasing card. We recommend that the Department of Health ensure that each employee has the tools needed to perform their job effectively; in this case that requires a properly set purchasing card spending limit.

#### Management Response

We agree with some of this finding, but feel that there are exceptions to some of what has been stated. All P-Card users have been instructed that they will lose their card if they allow another employee to process a transaction with it. Our understanding is that in the transactions in question, the vendor required the employee assigned to pick up the goods,(which were ordered by phone) to supply the card to verify that the card holder who called in the order had an active card. We have instructed Animal Control to cease this practice and to make purchases elsewhere if such a process is required.

We also did an analysis of P-Card use over the last twelve months for the three primary users which order goods or services for Animal Control. Overall purchasing limits appear to be reasonable. However, we are recommending that certain employee limits be reduced to increase the limit of the employee doing most of the ordering and to allow a fourth employee to have a card for small purchases.

### Travel

We reviewed all three of the travel related expenditures from the period July 1, 2005 through December 31, 2006 for compliance with Metropolitan Government travel policies and procedures. Total travel related expenditures from our test period were \$677.48. From the review completed we noted the following deficiencies:

25. We identified one travel expenditure where the sales receipt turned in for reimbursement was for a meal that did not have an itemized receipt detailing what was purchased. By not having an itemized receipt detailing what was purchased the potential for unapproved meal items, such as alcohol, could go undetected and ultimately reimbursed.

#### Audit Recommendation

All travel receipts turned in for reimbursement must be properly supported and reviewed before reimbursements are approved.

#### Management Response

We agree and will notify all of our employees of the requirement immediately.



### **Petty Cash/ Change Fund**

We reviewed one change fund with a stated balance of \$100.00. Additionally, we reviewed the departmental cash handling procedures in place for counting and safeguarding the change fund. From the review completed, we noted the following deficiencies:

26. Although the key to the change fund drawer is under 24/7 camera surveillance, the change fund key is accessible to all employees at Metro Animal Control that work in the front desk area. Limiting the accessibility of the change fund key would reduce the potential for the misappropriation of assets.

#### **Audit Recommendation**

The key to the change fund drawer should be restricted to only those individuals responsible for counting the change fund. If access to the change fund key was limited and a discrepancy was discovered, there would be a limited number of people who could be potentially responsible for the discrepancy.

#### **Management Response**

We agree. In order to remove any question about accessibility, Animal Control is installing a key pad lock to the area that cash or items allowing access to cash will be stored. The combination to this lock will be given only to authorized personnel.

### **Fixed Assets**

We reviewed 14 of the 31 fixed assets with a value of \$5,000.00 or more listed in EBS (Metropolitan Government general ledger) and tested for existence, adequate safeguarding, and proper valuation. Based on our review, we noted the following deficiencies:

27. We could not locate one of the 14 assets selected for testing. According to Metro Animal Control management, the asset was disposed of but not removed from EBS. The asset was an animal cage with a historical cost of \$13,133.00 and a book value of \$3,400.19. By not accurately maintaining a current listing of fixed assets, differences may not be detected that could result in losses or theft.

#### **Audit Recommendation**

Metro Animal Control should comply with Metropolitan Government fixed asset policies and procedures and remove any fixed asset that was disposed from EBS.

#### **Management Response**

We agree with this finding and have researched this omission to determine why this asset was still listed. This item is actually a truck body attachment that was on a truck which was sent to Fleet Management for repair. The truck could not be repaired and was subsequently sold as surplus. Unfortunately, the box attachment was also sold. Fleet Management staff has admitted the error and apologized. We are looking to see if any reimbursement can be obtained for the sale of the item in question. Since it was actually a separate item per Metro Finance Fixed Asset records, it was overlooked. We are processing the appropriate paperwork to correct this oversight.

28. According to the Metropolitan Government fixed asset policies and procedures, “each department will be responsible for conducting an annual physical inventory of its fixed assets.” We noted that Metro Animal Control was not conducting their annual physical inventory because the Division of Accounts Fixed Assets section did not provide the master fixed asset list report to Metro Animal Control needed to properly conduct the annual inventory.

Audit Recommendation

Metro Animal Control should request from the Division of Accounts Fixed Assets section provide the master fixed asset list report to Metro Animal Control management so that the annual physical inventory can be conducted. The Department of Health should utilize functionalities in EBS to assist with assigning fixed assets by operating division. By completing the annual physical inventory and assigning each asset to the proper division, discrepancies between the location and status of each fixed asset can be properly reported on the master fixed asset list report.

Management Response

We agree and will take the appropriate steps to comply with this request. We have received information from Internal Audit which will assist us in accessing fixed asset data through EBS.

\* \* \* \* \*

We greatly appreciate the cooperation and help provided by all of the Metro Animal Control management, staff, and the participating animal control facilities.

This report is intended for the management and policy makers of the Metropolitan Government of Nashville and Davidson County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Internal Audit Section

*Signature on File*

Don Dodson  
Internal Audit Director

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David L. Manning, Director of Finance  
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Participating Animal Control Facilities