



Fairfax County Internal Audit Office

Fairfax County Police Department
Animal Shelter Financial Controls Audit
Final Report

July 2005

"promoting efficient & effective local government"

Executive Summary

We found that controls over collecting, depositing and recording revenue at the Animal Shelter were inadequate. We determined that we could not rely on the current system of controls; therefore, we did not perform substantive test work on revenue transactions. Upon implementation of corrective actions, we will perform a follow-up review to ensure an effective system of internal controls is in place.

The primary issues noted involve system limitations and processing control deficiencies. The Animal Shelter Management software being used (Petware) did not provide an adequate level of control and did not meet the department's operational needs. The system: did not provide comprehensive audit trails; allowed users to delete or void transactions without supervisory approval; did not contain automated settlement reports; and was not able to process all types of revenue transactions. The integrity of input data was not consistent and Petware was not supported by either the software development company or the Department of Information Technology.

The software limitations have forced the shelter to manually process several types of revenue transactions. This, in turn, has led to inefficiencies and internal control weaknesses, as follows:

- Authorization for discounts and payment adjustments was not being properly documented
- Manual receipts were not all pre-numbered and those that were, were not being reviewed for breaks in sequence
- The close-out and settlement process was taking five to six hours per day

Additional issues noted during our audit were:

- Multiple staff were working out of the same cash drawers
- Caretakers were processing revenue after regular business hours.
- Public access to sensitive areas of the shelter was not properly restricted.

Scope and Objectives

The audit was performed as part of our fiscal year 2005 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The audit covered the period January 1, 2004, through July 31, 2004. Our objectives were to:

- Determine if the level of internal controls over collecting, depositing, and recording revenue at the Fairfax County Animal Shelter were adequate.
- Ensure that sufficient controls were in place over the use of petty cash.

The scope of our audit included a review of management and internal controls over revenue transactions including collection, deposit and posting of these funds. We found that the Animal Shelter did not have a petty cash fund at the time of the audit.

Methodology

Our audit approach included interviewing appropriate employees, observing and documenting the processing of revenues, completing an internal control questionnaire and developing a risk assessment. We evaluated existing policies and procedures for compliance with Department of Finance Accounting Technical Bulletins.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by government auditing standards. We report directly and are accountable to the County Executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the County Executive and the Board of Supervisors, and reports are available to the public.

Findings, Recommendations, and Management Response

1. **Effective Use of Shelter Management Software**

The functionality of the software (Petware) being used by the Animal Shelter did not properly meet their control and operational needs. It had the following control weaknesses:

- There were no audit trails linking transactions to user IDs.
- All users had the ability to delete/void transactions in the system at anytime without supervisory approval.
- Per shelter staff, on numerous occasions the data shown on the screen did not match the data that was input.
- Petware was not supported by its development company or the Department of Information Technology (DIT), which increased the risk of data loss and operational down time of the shelter if problems occurred in the software.

Operationally, Petware was unable to automate the processing of licenses, trap rental agreements and adoption contracts; effectively manage and retrieve data on animals; produce close out reports for cash drawers; and allow enough users access to efficiently perform their duties.

An adequate Animal Shelter management system would significantly increase overall controls and operational efficiency/effectiveness by properly:

- Accounting for user transactions through user IDs and restricting access to an 'as needed' basis.
- Processing transactions for each type of service provided by the shelter, capturing all necessary data and producing all documentation needed (i.e. licenses, forms, receipts, etc.).
- Managing and retrieving information on animals coming through the Animal Shelter. This includes proper reporting capabilities such as management and close-out reports.

- Providing back-up and software support.

Inadequate system controls over processing transactions increase the risk of theft, producing erroneous data and loss of data. The system's lack of functionality is a drain on human resources and decreases the department's ability to properly serve citizens.

Recommendation: The Animal Shelter should replace Petware with a software program that better meets the needs of its operations. They should consult with DIT to ensure that the system is compliant with Fairfax County's System Development Life Cycle Standards and the Information Technology Security Program Policy (70-05.01). In addition, in order to maximize the efficiency and effectiveness of the system and to ensure proper system utilization and data integrity, staff input should be obtained during product review, written policies and procedures should be developed and staff should be properly trained.

Management Response: Chameleon, a software program marketed by HLP, Inc., has been purchased and implementation is currently in process. Implementation and training of employees should be completed by August 2005.

2. Controls Over the Capture of Revenue Transactions

The controls over the capture of revenue transactions were weak and the process was inefficient. There was commingling of funds in cash drawers used by front office clerks and the clerical supervisor. Not all manual receipts were pre-numbered and the pre-numbered ones (adoption contracts and dog licenses) were not properly reviewed for breaks in sequence or missing numbers. In addition, preparation of cashier's total summary sheets was manual and not processed in a timely fashion. It took an estimated 5-6 hours per day to complete the settlement process.

A proper system for processing revenue transactions should provide a controlled method of capturing and recording revenue transactions with proper management review. Having automated transaction close-out reports would allow cashiers enough time to perform the reconciliation at the end of the day instead of in subsequent days.

The inadequate controls over capturing revenue transactions increased the risk of theft or error. Inefficient operations are an unnecessary drain on human resources and may decrease levels of customer service.

Recommendation: The shelter should strengthen controls over the capture of revenues by:

- 1) Automating the revenue capture process with the implementation of a better animal management system. In the absence of a new system, the proper use of cash registers could compensate for the lack of an adequate software product.

- 2) Maintain a proper accounting of pre-numbered manual receipts.
- 3) Staggering work shifts to allow for cash drawer close outs immediately after a shift has been completed while maintaining an adequate level of customer service.
- 4) Implementing an additional cash drawer to be used by the clerical supervisor when it is necessary for her, or other back office personnel, to perform front desk duties.

Management Response: The new software will address items 1 and 2. Number 3 has been addressed with the purchase of safe. The cash bags are locked up at the end of the day and the cash from each bag is counted the next day. Number 4 will be implemented when the petty cash request is approved.

3. Controls Over Adjusting Charges/Payments

Customer discounts and adjustments for payments made to veterinarians were routinely verbally authorized by management. Approval for adjustments and discounts was evidenced by a note written by a clerk, stating that approval was obtained and the name of the person who approved the transaction. However, no signature of the approver was required. Proper internal control principles dictate that authorizations should be properly documented.

Verbal approval of adjustments and payments increases the chance of fraud by making it easier for cashiers to indicate approval when there was none. It also decreases the accountability of the approver by making it easy for him/her to deny that approval was ever given.

Recommendation: Approvals for discounts and adjustments should be documented with the signature of the authorizing individual on the receipt.

Management Response: A memorandum was issued by the Animal Shelter to change this procedure and the Internal Audit Office received a copy and will verify the implementation of the procedure in a future follow-up review.

4. Controls Over Restricting Public Access to Sensitive Areas

There were no signs or doors restricting customers from going behind the front desk into the administrative areas or into other sensitive areas of the shelter. Employees were not required to wear uniforms to distinguish them from customers; however, most of them were wearing a name tag identifying them as an employee. It appeared that most staff would be able to identify unauthorized individuals if business was slow. However, this is often not the case, and there is a risk of unauthorized entry going unnoticed during busy times. This was a finding in an earlier review completed by the Humane Society.

Proper internal control dictates that public access to areas where valuables are stored should be properly restricted using clear signage and physical blocks if

needed. Lack of proper physical controls over public access to sensitive areas increases the risk of theft of valuables such as money or drugs, and allows public access to sensitive procedures such as euthanizing an animal.

Recommendation: Management should have a door installed in the front desk area to restrict the public from accessing areas that contain cash and cash equivalents. Additionally, clear signage notifying customers of restricted areas should be installed.

Management Response: A chain has been installed to prevent the public from entering the area behind the front counter. New signs have been ordered.

5. Controls Over Processing Checks

Checks were not being restrictively endorsed upon receipt. Check endorsement at time of receipt is a control to ensure that checks will be properly deposited in the shelter's bank account. Per the Animal Shelter's policies, checks should be restrictively endorsed for deposit only with the shelter's bank account number immediately after they are received. The longer the checks are not endorsed, the greater the risk that they will be improperly negotiated.

Recommendation: Checks should be endorsed upon receipt in accordance with the existing policy.

Management Response: "For Deposit Only" stamps were received February 3, 2005, and are currently being used on all checks received.

6. Controls Over Processing Revenue After Regular Business Hours

Per shelter staff, caretakers on duty after shelter hours would process animal redemptions, collect fees, and turn over the money and all paper work the next morning when the day shift arrived. The Animal Shelter's standard policies state that transactions involving the collection of fees are not to be processed after regular stated business hours. Controls that govern business hour revenue processing are not set up for after hours operations. Performing fee based transactions under these conditions increases the risk of loss or theft from the lack of controls over the transactions.

Recommendation: Transactions involving the collection of fees should not be processed after regular stated business hours, in compliance with existing policies and procedures. Procedures should be developed and documented if management decides to allow such processing for extenuating circumstances.

Management Response: A memorandum was issued. The new directive states that there will be no after hours processing. Emergencies will be handled by check and the check will be given to the Animal Control Supervisor.