Background:
County of Los Angeles

- County of Los Angeles budget ≈ $30 billion
  - ≈ 105,000 employees
- 36 Departments
  - Animal Care & Control
    - $48.6 million (0.16%)
    - 441 budgeted positions (0.42%)

Background:
Department of Auditor-Controller

- Auditor-Controller ≈ 624
  - 624 budgeted employees
  - $45.2 million gross appropriation
- Audit Division
  - 60 budgeted employees
  - 145 total audit-like staff including Contract Monitoring and Investigations
My background:

- 14 years as an auditor
  - Two years—each acting as a fiscal manager, and on an I.T. implementation team
  - DHS, I.T., Management Audits

- 12 years with Probation
  - 2 years—each managing juvenile halls and camps
  - 6 ½ years as Administrative Deputy

- 7 years back with the A-C
  - Systems, Investigations, Auditing

Auditing profession

The 2nd biggest lie in the auditing profession.

Audit Division – what we do

- Scope: County departments and affiliated agencies
- Risk–based audit plan. What risk attributes?
- Operational, management, and fiscal services audits
- Special studies, & Board–ordered reviews
- Establish internal control standards
- Periodic departmental self–assessment process
Audit Division - what we do
Continued
- Financial procedures and controls
- Management Structure & organization
- Program effectiveness
- Computer system integrity & security
- Cost effectiveness studies
...to enhance the delivery of effective and caring services to the public.
...elevating public trust...

If you don’t know where you’re going, you might wind up someplace else. (Yogi Berra)

WHAT ARE WE GOING TO CHAT ABOUT TODAY?

TODAY’s TOPICS
- **PART I**: The auditor’s roadmap that leads to control findings and process improvement
- **PART II**: Relating controls to the real world – actual findings from across the nation
- **PART III**: Technology and emerging risks
- **PART IV**: Next steps – what leaders should be doing – solutions & best practices
“How is some punk kid going to tell me how to do my job?”
Bob G.

The Auditor’s Roadmap
What we look for:
- Service deficiencies and strengths
- Constituent comments
  - Public, Board/Council, industry, neighbor entities, private sector, advocacy groups, your employees, regulators, litigation
- Backlogs - bottlenecks
- Workload measures (outputs)
- Performance measures / Benchmarks (outcomes)
  - Trends, comparisons with industry standards, private sector, and nearby communities
The Auditor’s Roadmap
What we ask for:

- Multi-year budget results
- Organization chart
- List of locations
- Prior audit reports
- Policies and procedures
- Regulations
- Tasks and standards
- Representation letter to staff
- Complaints
- List of key stakeholders/constituents

Internal Controls –
What does this have to do with me?

- Reputational risk
  - Effective stewards of scarce public resources
  - Enhanced integrity during competitive budget process

INTERNAL CONTROL: A system designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

The Auditor’s Roadmap

- Typical audit steps:
  - Preliminary Survey
  - Org charts
  - Prior audit findings, fines, regulatory reports
  - Related audit findings
  - Procedures, policies
  - Emerging/hot issues
  - Leadership’s expectations
  - What matters most – core services
  - Fieldwork on key control concerns
Auditor's fieldwork

- Fieldwork
  - Key control concerns
  - Core operations/services
    - Sampling
    - Comparison to standards
    - Documentation
  - Interviews
    - How things are vs. how they should be
    - Opportunities to improve
    - Emerging best practices

What’s an auditor to do?

- Losing three kids in the middle of the night
  - “You never let a serious crisis go to waste. And what I mean by that it's an opportunity to do things you think you could not do before.”
  - Rahm Emanuel

PART II of IV
ACTUAL AUDIT FINDINGS
Audit findings: Controlled Substances
- Lack of effective oversight and controls over controlled substances:
  - Inventory control discrepancies
  - Need automated perpetual inventory system of controlled substances, and to monitor expiration dates
  - Inaccurate dispensing volume at point of service
  - Substances beyond expiration dates
  - Improperly stored vaccines/substances (temperatures), and need daily compliance sign-off

Audit findings: Medication and Medical Supplies
- Segregation of duties – requesting, receiving, recording, inventory counts of drugs
- Controlled substances not handled per DEA guidelines
- Need back-up generator
- Inventory of medication and medical supplies is not taken.
- Proper controls not in place to safeguard medication and medical supplies
- Lunch in refrigerator with medications/vaccines

Audit Findings: License fee collections impact service delivery
- License fees 1.4% of expected animals given community size (per Nat. Council on Pet Population Study and Policy)
  - Lost revenue
  - Impacts service delivery volume
- Euthanasia rates increased while adoptions, return-to-owner, and transfers decreased.
  - Need to increase license fee collection to enhance returns to families.
Audit Findings:
Service calls – Excessive overtime

- Only 31% of service calls responded to within policy.
  - Potentially jeopardizes health and safety
- Excessive overtime
  - Documentation doesn’t support O.T. claimed
  - If EB rate less than O.T. rate, then it may be cost effective to hire another officer.

Audit Findings
Staffing

- Not using existing electronic timekeeping – marking ‘present’ rather than actual hours worked.
  - Risks Labor Dept. fine, and/or DOJ enforcement litigation.
- Opportunities to reduce expenditures through more efficient staffing of animal control officers and shelter staff.

Audit findings:
Fees not consistently applied

- Staff not consistently charging $5 transfer fee as animals move between shelters
- Field staff waiving relinquishment fees without documenting supervisor’s approval
- Senior rate, not documented in the field
- Penalties waived in the field
Audit Findings
Shelter Conditions
- **Physical condition of shelters:**
  - HVAC for isolation rooms shared by healthy animals
  - Fire alarms
  - Peeling paint can drop in dog bowls
  - Pets in cages in hallways

Audit Findings
Shelter Safety
- Comprehensive safety and health program addressing workplace hazard-specific P&Ps
  - Safety and health policy signage
  - Regular safety meetings
  - Documented general inspection
  - Incident tracking and in-depth investigation and corrective action
  - Personal protective equipment applicable to the work to be done

Audit Findings
Financial related controls
- Use of corporate credit cards – purchases with questionable business need
- Not paying credit card expenses **on time**
- Not following established procurement policies
  - No inventory of purchases (dog food, et al), **inventory, re-order points, shrinkage**, etc.
  - Some items convertible to personal use/sale
- Leasing office space in **high rent areas**
Audit Findings
Financial related controls

- 200 Funds deposited every two weeks
  - Neither field officers nor finance section kept documentation to support amount of deposit.
- 100 Insufficient oversight controls over fiscal manager – access to bank account, reconciles, withdraws (separation of duties)
- 700 “…casual nature to the funds being received…”
- 750 Sales not reconciled to deposits.
- 575 Collections not reconciled to system input.

Audit Findings
Receipts (slide 1 of 2)

- 150 Receipts for fees collected in the field not reconciled to deposit amounts, or assured that each receipt ties to a deposit.
  - Manual receipts not reconciled to database, & data entry average 11 days after receipt of cash
  - No control logs for receipt books – who has each receipt book?
  - No one reviews manual receipt books to account for every receipt.
  - All copies of voided receipts not kept, reasons documented, supervisor initials.

Audit Findings
Receipts (slide 2 of 2)

- Receipts not used sequentially
- No anchor copies of receipts kept in books
- Client given carbon rather than original receipt
- Payment via mail not opened by two, no one reconciles to ensure they get deposited.
- No one conducts daily reconciliations by comparing amounts on hand to all methods of collection
- No sign reminding customers to ask for a receipt
- No reconciliation or receipts to Treasury deposits
Audit Findings
Cash safeguards
- Personal belongings (purse) kept in cash drawer/safe.
  - Safe or cash drawer left unlocked or with key in keyhole
  - Access to cashiering area not restricted
  - Safe combinations not changed regularly, and when someone leaves
  - Mailbox where payments received is not secure
  - Shared user log-on to cashiering terminal
  - Cash boxes in safe with box keys, safe unlocked, and no restriction of foot traffic.

Audit Findings
Licensure
- No periodic physical inventory of license tags – no comparison of inventory to issuances and related collections.
- Only one license fee renewal reminder sent
- Customers mischarged

Audit Findings
Licensure
- Licensure is redundant to other public health regulations, and is ineffective.
  - Does not independently contribute to PH protection
  - Vast majority of pet owners ignore
  - Purpose of licensure (reunify) accomplished more effectively through alternate means (microchip and rabies identification tags).
  - Recommend making optional to preserve ID and help offset revenue loss.
Audit Findings
Other areas:

- Collections sitting in trust funds that should already have been recognized as revenue
- Decisions to utilize donation trust funds case-by-case, w/o coordination, possibly dependent on a Commission's slow pace
- Grant funds sitting in trust not recognized as earned revenue
- Billing rates not recovering full cost
- Slow invoicing, no reconciliation of service provision to invoice

Audit Findings
Field Officers:

- Field officers required to pick up their service vehicle at a main-office location, at times far from patrol service area.
- No formal evaluation process to verify training adequate to perform field duties.
- Dispatch personnel conclude their workday before field officers.
- Animal Control's dispatch software incompatible, necessitating double data entry.
- Entering private property w/o owners' consent.

Audit Findings
Field Officers:

- Inadequate support staff to assist field officers w/ legal and daily paperwork
- Limited or no computers in vehicles
- Pre-rabies staff vaccinations not provided
PetPoint

(Chameleon is another commonly used technology)

- Not fully **utilizing the functionality** of PetPoint animal management system.
  - **Recording controlled substance** usage by container number
  - **Generate receipts** for services (adoptions, reclaim, licenses, etc.) – hampers reconciliation to revenue to services

PetPoint (continued)

- Not fully **utilizing the functionality of PetPoint** animal management system.
  - Not consistently recording **waived impound fees**
  - **Inaccurate** bite history, altered animal, animal weight, microchip install, spay/neuter vouchers entered rather than system generated result in in manual tracking

Audit Findings

**Contract City Services:**

- Calculate a different (higher) **rate for cities** that collect a license fee because the cities’ fees decrease the County’s revenue base.
- Account for coincidental proximity of cities to a County Animal Care facility (mileage/time).
- Ensure **cost allocation plan recovers all applicable costs** within billing rates.
PART III of IV
EMERGING RISKS/ISSUES

Emerging Issues

› Technology
  ◦ BYOD
  ◦ Phishing
  ◦ Hacking

Emerging Issues

› Medication Audits
  ◦ New administration – will there be a new emphasis on controlled substance audits?

› Community pressures
  ◦ Euthanasia, care standards, aggressive animals
PART IV of IV
NEXT STEPS:
Solutions
Recommendations
Best Practices

Solutions
Utilize automation in the field:
- Seek an automated solution for field staff data entry (hand held or vehicle mounted computer) to avoid manual field paperwork and end-of-day data entry.
  - Avoids double-recording process, which halves your chance of error
  - More timely
  - Reconcile field activity to deposits, and get timely workload statistics for trend-based redeployment of resources

Best Practices
Ask for an audit
- Ask your Auditor for an audit
  - Cash handling procedures
  - Field collections, receipting, deposits
  - Separation of duties
  - Fee waivers
  - Bank account reconciliations
  - All receipts sequential, linked to deposit
  - Client case reflects payments
  - Collections not idle in trust account
Best Practices
Revenue Enhancement Ideas
- Voluntary pet registration (instead of licensure), with incentives for registration:
  - limiting use of off-leash dog park,
  - low/no cost spay & neuter,
  - dedicated city fund so registrations go back to animal care
  - Re-calibrate boarding fees to ensure full cost recovery cost
  - Adjust adoption rates (to the extent practical)

Best Practices
Revenue Enhancement Ideas
- Clarify policies for fee waivers to ensure uniformity and normalize collections.
- Fund raisers that guarantee no General Fund supplanting
  - Greater flexibility in program management (restricted funds)
- Special License Plates – revenue to restricted fund for animal care services
- Sponsorships – vehicle wraps

Best Practices
Annual Report
- Produce an Annual Report to celebrate your achievements:
  - Multi-year performance measures
    - Benchmark against comparable entities (best practices)
    - License revenue, field coverage
  - Adoption rates, Returned pets
  - Calls for field response
    - Response times & resolutions
  - Fees collected, grants applied for/received, revenue compared to net-agency cost
Strategic Plan – Are you achieving your mission?

- **GOALS:**
  - Customer service enhancements
  - Call dispatch timelines
  - Licensing as a percentage of population
  - Spay/neuter services provided
  - % of entering animals spay/neuter and w/ ID
  - Encouraging responsible pet ownership
  - Euthanasia, live placement, return to owner
  - Grants and private fundraising
  - Volunteer leveraging
  - Consider hiring a development officer for fundraising, and increasing volunteer hours

Share your successes

- Publish comparison to goals on your agency’s website, and within agency newsletters

- Benchmark against:
  - National Council on Pet Population
  - National Animal Control Association
  - Comparable and/or neighboring agencies
  - Benchmarking and measurement against G&Os identifies progress, and can strengthen justification for unmet resource needs.

Audit Solutions

Expenditure Reduction Ideas

- Staff based on seasonal workload changes.
- Hire additional staff if your EB rates are less than your O.T. rate.
- Vehicle maintenance does not exceed manufacturer’s recommendations.
- Field calls planned using most efficient route.
Best practices (some required practices)
Medication management
- Lock boxes with two key system
- Safe storage overnight
- One vile at a time
- Separate log per medication, spiral bound
- Track each dose/use, sign-off
- Sequentially label each bottle
- Limit order quantities based on typical use
- Alarms, surveillance cameras
- Periodic (independent) inventories
- Use the DEA audit tool as a self-guide
- Ask you’re A–C to conduct a DEA-type audit

Best practices (some required, some recommended practices)
Medication management – continued
- Date drug was dispensed/administered
- Dosage amount
- Total on-hand after each use
- Name of person utilizing the drug
- Species, breed, ID, and weight of animal involved
- Route administered
- Are you testing for heartworm, and feline leukemia?
- Partner with a university program.

Best Practices
Hotlines
- Establish an animal care hotline:
  - Anonymous calls about animal neglect.
  - Follow-up to ensure resolution of all calls.
  - Hotline on vehicles (e.g., bumpers, door panels)
- Does your County have a fraud hotline?
  - If so, print the hotline number on animal license documents, receipts, other literature provided to community members.
  - Post hotline(s) numbers in offices.
BEST PRACTICES
Early Disposition Program

- Early disposition program for citations:
  - Complete $40 one-hour course, and have the citation dismissed.
  - Ensure the fee covers citation and cost of course.
  - Ensure adequate P&Ps to ensure equitable access.
  - Avoids the uncertain outcome of a hearing.
  - Reduces field officers’ time waiting for the hearing.
  - May require regulatory/legislative changes

Animal Adoption Opportunities

Weblinks
- Link to pet adoption services is prominent on your website.
- Pet adoption weblink prominent on your parent-agency’s website.
- Utilize re-purposed motorhomes for mobile pet adoption.

Maximize Adoption Opportunities

- Host mobile adoptions in high traffic areas, community events (fairs, parades, etc.)
- Partner with community-based volunteers, and with pet supply retailers
Maximize Adoption Opportunities

(Continued)

- Use mobile events as solicitation for:
  - future volunteers at shelters and adoption events,
  - distribute responsible pet owner literature,
  - promote the city/county/entity, promote related non-profits/
  - Promote adoptions in city literature, websites, on employee and vendor check stubs, on client receipts, posters, cable channels.
- Some concerns about “impulse adoptions” – need adoption counselors on site

Other potential improvement ideas:

- Utilize enterprise phone system to gather stats about incoming calls as a management tool.
  - Wait times / call volume
  - Dropped calls

Other potential improvement ideas:

- Surveys:
  - Employee survey – morale enhancement only if acted upon
  - Anonymous comment boxes
  - Customer satisfaction survey
    - Adoptions
    - Field services
Strengthen budget requests

- Benchmark against comparable entities (best practices)
- Record hours, including kennel, field services, etc., by function
  - Use these hours to assess service levels
    - Kennel cleaning hours
    - Average dispatch response time v. calls for service v. average service timeframe.
    - Can you realistically address service calls with existing resources?
- An audit recommendation can be a solid justification for unmet needs

Policies and Procedures:

- Do you have policies and procedures?
  - P&P could address issues of donation trust funds underutilized because of bureaucracy or dependency on Commission timelines

Continuous staff skill reinforcement and clarity of expectations

- Regular trainings? Briefings?
- Staff at all levels understand the mission and priority goals?
- Reinforce core values?
- Effective performance expectations, and regular coaching and evaluations?
Internal Controls
Management is ultimately responsible for the system of internal controls.

- Does management test for compliance?
  
  *Don’t expect what you don’t inspect.*

Questions?

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