

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

313



FROM: Riverside County Auditor-Controller

SUBMITTAL DATE:
September 15, 2015

SUBJECT: Internal Audit Report 2015-010: Riverside County Department of Animal Services [All Districts]:[\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2015-010: Riverside County Department of Animal Services

BACKGROUND:

Summary

We have completed an audit of the Riverside County Department of Animal Services to provide management and the Board of Supervisors with an independent assessment of internal controls over expenditures, contract revenue and capital assets. We conducted the audit from April 1, 2015 through June 30, 2015, for operations for the period of July 1, 2012 through May 31, 2015.

(Continued on page 2)

Paul Angulo
Paul Angulo, CPA, CGMA, MA
Riverside County Auditor-Controller

Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	

SOURCE OF FUNDS: N/A

Budget Adjustment: No

For Fiscal Year: n/a

C.E.O. RECOMMENDATION:

APPROVE

BY: *Samuel Wong 9/22/15*
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley
Nays: None
Absent: None
Date: October 6, 2015
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

2-8

- Positions Added
- Change Order
- A-30
- 4/5 Vote

Prev. Agn. Ref.:

District: ALL

Agenda Number:

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Internal Audit Report 2015-010: Riverside County Department of Animal Services [All Districts]:
[\$0]

DATE: September 15, 2015

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued)

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to contract revenue and capital assets. We determined the Riverside County Department of Animal Services internal controls relating to expenditures provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable.

ATTACHMENTS:

Internal Audit Report 2015-010: Riverside County Department of Animal Services

Internal Audit Report 2015-010

**Riverside County
Department of Animal Services**

Report Date: September 15, 2015



**Office of Paul Angulo, CPA, CGMA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92502
(951) 955-3800**

www.auditorcontroller.org



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802

ACO | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, CGMA, MA
County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

September 15, 2015

Robert Miller, Director
Riverside County Department of Animal Services
6851 Van Buren Blvd
Jurupa Valley, CA 92509

Subject: Internal Audit Report 2015-010: Riverside County Department of Animal Services

Dear Mr. Miller:

We have completed an audit of the Riverside County Department of Animal Services to provide management and the Board of Supervisors with an independent assessment of internal controls over expenditures, contract revenue and capital assets. We conducted the audit from April 1, 2015 through June 30, 2015, for operations for the period of July 1, 2012 through May 31, 2015.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to evaluate the internal controls.

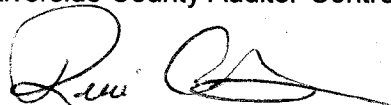
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As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation in our report. We will follow-up to verify that management implemented the corrective actions.

Internal Audit Report 2015-010: Riverside County Department of Animal Services

We thank the Riverside County Department of Animal Services management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, CGMA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Interim Chief Internal Auditor

cc: Board of Supervisors
Executive Office
Grand Jury
District Attorney's Office

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Executive Summary

Overview

The Riverside County Department of Animal Services (Animal Services) became an independent County department separating from the Community Health Agency in July 2012. Animal Services provides animal-related services to the County of Riverside as well as to several cities within the county through service contracts. The department seeks to provide comfortable, humane shelters, and nurturing care to animals. As an alternative to euthanasia, the department employs pet adoption, public education, and veterinary medical programs to reduce pet overpopulation. The Animal Services department operates four animal shelters located in Blythe, Coachella, Jurupa Valley, and San Jacinto. Animal shelter services include: adoptions, surrenders, field services, licensing, micro-chipping, vaccinations, and spay & neuter.

Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of internal controls over expenditures, contract revenue and capital assets.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to contract revenue and capital assets. We determined the Animal Services department internal controls relating to expenditures provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Contract Revenue

Background

Cities within the County of Riverside contract over multiple years (generally five year contract period) with the Animal Services department for various veterinary, field, shelter, public information, and community outreach services depending on their needs.

Veterinary services include, but are not limited to, low cost spay and neuter services, micro-chipping, and health care to prepare animals for adoption. Services such as de-worming, flea, tick and rabies control, vaccinations, and other medical procedures determined necessary by the veterinary staff are performed.

Field services vary based on each city contract. Services could include responding to calls, impoundment, animal bite investigations and prosecution, quarantine of suspected rabid animals that have bitten a person or other animal, nuisance animal complaints from the public, dead animal removal, trapping and removal of domestic and wild animals from public and private property, and license verification.

Shelter services consist of providing food, rabies certificate verification, dog bite investigations, medical care, and shelter to all animals received.

Some cities also contract for the Integrated Licensing Program. This program consists of Animal License Inspectors going home to home in search of dogs without a license. The Riverside County Geographical Information System is integrated with the animal services database to determine if dogs observed at residences are licensed. Revenue generated by the program is given to the city contracting for the service.

Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the department's internal controls over contract revenue.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, applicable policies and procedures.
- Conducted interviews and performed walk-throughs with the Animal Services' personnel.
- Obtained and reviewed the latest approved city contract rates for shelter and field services.
- Obtained and reviewed contract city billing policies and procedures.

Internal Audit Report 2015-010: Riverside County Department of Animal Services

- Performed testing to verify that contract cities are billed according to contract terms and conditions.

Finding 1: Review of Contract Rates

The Animal Services department did not submit their city contract rates for shelter and field services to the Riverside County Auditor-Controller's Office for annual review as required under Board of Supervisors Policy B-3, *Contract Services to Cities*. The department's current city contract rates were submitted for review in 2011 and were based on fiscal year 2010 actual expenditures and staffing levels. Per department, billable rates were not updated and submitted for yearly review after 2011 due to limited staffing resources. By not annually submitting their rates for review, the department is not in compliance with Board Policy B-3.

Recommendation 1:

To be in compliance with Board of Supervisors Policy B-3, update and submit city contract rates to the Riverside County Auditor-Controller's Office annually for review.

Management's Response:

"Concur. While we concur with the finding, Animal Services would like to emphasize that staffing shortages since the last time the rates were developed and reviewed have hampered efforts to update the rates. With the past years reduction of more than 40% in staffing and the opening of the San Jacinto facility, everyone has taken on additional tasks to cover mission critical needs."

Actual/ estimated Date of Corrective Action: **July 2016**

Capital Assets

Background

The Riverside County Auditor-Controller's (Auditor-Controller's Office) Standard Practice Manual 501, *Capitalization Thresholds*, defines capital assets as fixed assets and intangible assets of significant value having a utility which extends beyond the current year that are broadly classified as land, infrastructure, buildings and improvements, equipment, livestock, and intangible assets.

Capital assets include real property such as buildings, land, and land improvements, regardless of value, as well as vehicles, machines, and all equipment with a value of \$5,000 or more. The cost of a capital asset includes all costs necessary to place the asset in service, which may include shipping, set-up, testing, and other ancillary costs.

Standard Practice Manual 934, *Capital Asset Certification*, requires each county officer or person in charge of a county entity to submit on or before July 10 of each year a certified inventory of county property in his or her possession or custody at the close of the preceding June 30 to the Auditor-Controller's Office.

The Animal Services' department capital assets consist of network servers, equipment, and vehicles. Capital assets are located at each of the four Riverside County animal shelters. Currently, the department manages 28 capital assets valued at \$663,605. Animal Services specifically requested the Auditor-Controller to review the capital asset area due to concerns with separating from the Community Health Agency at the beginning of the audit period.

Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, applicable policies and procedures.
- Conducted interviews and performed walk-throughs with the Animal Services personnel.
- Utilized PeopleSoft (the county's financial system) queries to identify the quantity and location of capital assets.
- Selected samples of capital asset transactions to perform detail testing.
- Verified the safeguarding and inventory of capital assets.

Finding 2: Physical Verification of Capital Assets

The Animal Services department submitted the *Inventory of County Property For Capital Assets*, Standard Practice Manual Form AM-1, to the Auditor-Controller's Office in a timely manner for fiscal year 2014. However, based upon our review, the department did not verify physical existence of the assets listed on the submitted asset certification. During the fiscal year 2015 asset certification process, the department discovered three assets valued at \$36,904 that were not in their physical possession. Upon further department investigation, the department discovered one asset was disposed of in 2012. The department was of the opinion that the other assets were destroyed in 2008, and sent to surplus a decade ago. As a result of not taking a physical inventory of assets, the value had been overstated for several fiscal years. Per department, they did not verify the physical existence of the assets due to limited staffing resources.

Recommendation 2:

Prior to submitting the department's year end capital asset certification to the Auditor-Controller's Office, assign an employee to verify the physical existence of all assets listed.

Management's Response:

"Concur. During the entrance interview, Animal Services discussed with the audit team the asset issues and a variety of corrective actions already enacted by the Department. The assessment for FY 2014 was turned in while a full accounting of all assets was being conducted. We were aware of possible issues and had already assigned a staff member to fully audit the asset list and to start to make corrections to it. This was a function the Department did not fully participate in prior to the split of the Community Health Agency in 2012. Even after the split, Animal Services continued to be supported in 2013 for various accounting aspects. When the asset review was being conducted during the FY 2014 assessment, several possible issues were noted and a staff member was assigned the task of removing any missing assets, and monitoring the list in the future. Delay of cleaning up the asset issue was partially staffing as noted in finding one and time needed to find or not find all assets on the list as this was the first time Animal Services finance team was fully responsible for the asset list."

Actual/ estimated Date of Corrective Action: **"Completed.** An asset tracking system has been developed within the Department of Animal Services, prior to the Audit, and is included on the task and expectation list of the person assigned."

Internal Audit Report 2015-010: Riverside County Department of Animal Services

Finding 3: Capital Asset Retirements

Five assets valued at \$79,950 were retired by the Animal Services department without timely reporting to the Auditor-Controller's Office. Standard Practice Manual 922, *Asset Retirements*, requires departments to report the retirement of capital assets due to theft, loss, sale, or surplus, when there is no operational need to retain. The *Capital Asset Disposition*, Standard Practice Manual Form AM-7, must be completed and submitted to the Auditor-Controller's Office within 30 days of an asset retirement. By not submitting Form AM-7 on a timely basis, the department loses accountability for assets in their possession and the capital asset value may be overstated at year end. Per department, they did not submit the forms in a timely manner due to limited staffing resources.

Recommendation 3:

Assign an employee the responsibility to complete and submit Form AM-7 to the Auditor-Controller's Office within 30 days of asset retirement.

Management's Response:

"**Concur.** We concur that AM-7 was completed after the 30 day limit. Each of the items was identified by finance staff as not found during the physical search of the facilities. After searching supply service property transfer forms, it was discovered asset 14, 15, 40 and 58 had all been sent to Supply Services without the finance staff's knowledge. This issue has been rectified and a process is in place to ensure all Supply Service forms are sent to the Department's Asset processor. The final asset, 38, was sent to auction and not reported back to the Department until several months after the sale was finalized. Delay of cleaning up the asset issue was partially staffing as noted in finding one and time needed to find or not find all assets on the list as this was the first time Animal Services finance team was fully responsible for the asset list."

Actual/ estimated Date of Corrective Action: "**Completed.** An asset tracking system has been developed within the Department of Animal Services, prior to the Audit, and is included on the task and expectation list of the person assigned."