

**MANAGEMENT AUDIT REPORT**

**OF**

**FISCAL MANAGEMENT**  
**ANIMAL WELFARE DEPARTMENT**

**REPORT NO. 11-101**



**City of Albuquerque**  
**Office of Internal Audit**

Fiscal Management  
Animal Welfare Department  
Report No. 11-101  
**Executive Summary**

The Office of Internal Audit (OIA) conducted a management audit of the Animal Welfare Department (AWD). The audit reviewed fiscal and operational controls to determine compliance with City ordinances, policies and procedures and Generally Accepted Accounting Principles (GAAP) for fiscal years 2009 (FY09) and 2010 (FY10). This audit was included in the FY11 approved audit plan.

AWD became a stand-alone department during the fall of 2007 and received its initial general fund appropriation in FY09. Previously, AWD was a division within the Environmental Health Department. AWD is responsible for the administration of the Humane and Ethical Animal Rules and Treatment (HEART) ordinance and fund.

**Objective: Does AWD have effective accounting internal controls to ensure that expenditures and revenues are recorded and monitored in compliance with City ordinances, policies and procedures and GAAP?**

- AWD's current contract for the management of the department's license program does not outline essential contract elements such as scope of services, vendor compensation and liability.
- A lack of fiscal and operational oversight for license revenue transfers and general ledger activity have allowed the HEART fund to function in a suboptimal manner.
- AWD does not perform reconciliations to ensure the accuracy and integrity of City's general ledger or third party license information.
- AWD operates on institutional knowledge for revenue and expense activities because policies and procedures do not exist for these processes.
- AWD is qualifying individuals for free or reduced fee services on a basis that does not coincide with the Low or Moderate Income definitions within the HEART ordinance.
- AWD does not maintain complete records for its microchip inventory.
- Two of 18 cash handlers are not certified by the DFAS - Treasury Division to handle cash.

**Objective: Does AWD have effective internal controls to ensure that cash or noncash gifts received from Kennel Kompadres (a not-for-profit organization that supports AWD) are accurately recorded and expended to meet AWD goals?**

AWD does not keep records for goods or services received nor have they received financial reports outlined with the agreement between the City and Kennel Kompadres. Therefore, the City cannot confirm the impact Kennel Kompadres has had on AWD operations.

**Objective: Does AWD have effective internal controls for the Chameleon information system to ensure the accuracy and integrity of animal care data?**

- It appears that Kennel and Veterinary service workers are using each others user identifications to edit and modify data within Chameleon.
- AWD does not actively monitor modified or deleted information within Chameleon.
- AWD assigns broad access, under the *Public-User* role, that allows all individuals to insert, select, update and in some cases delete information from database tables within the Chameleon system.

OIA previously identified similar issues pertaining to Chameleon data integrity and user access within AWD – Special Audit Number 08-104, issued October 3, 2008.

**Recommendations and management responses are included in the audit report.**



*City of Albuquerque*  
*Office of Internal Audit*  
P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

September 15, 2011

Accountability in Government Oversight Committee  
City of Albuquerque  
Albuquerque, New Mexico

Audit: Fiscal Management  
Animal Welfare Department  
No. 11-101

**FINAL**

**INTRODUCTION**

The Office of Internal Audit (OIA) conducted a management audit of the Animal Welfare Department (AWD). The audit reviewed fiscal and operational controls to determine compliance with City ordinances, policies and procedures and Generally Accepted Accounting Principles (GAAP) for fiscal years (FY) 2009 (FY09) and 2010 (FY10). This audit was included in the fiscal FY11 approved audit plan.

AWD became a stand-alone department during the fall of 2007 and received its initial general fund appropriation in FY09. Previously, AWD was a division within the Environmental Health Department. The mission of AWD is to promote responsible pet ownership of domestic animals; manage the care for missing, abused and homeless animals; encourage and celebrate the human/animal bond through quality adoptions and education; and help assure public health and safety for the community. AWD operated without a fiscal officer since the department became a stand-alone entity in FY09 until January 2011.

AWD is responsible for the administration of the Humane and Ethical Animal Rules and Treatment (HEART) ordinance and fund. The HEART fund was created to dedicate 60 percent of net license and permit fee collections to programs for the free microchipping, spay and neutering of companion animals. Although the intent of the HEART fund is to provide free services to low income, moderate income and senior persons, the ordinance allows these services to be provided to the general public, when possible.

AWD contracts for the management of the department's companion animal license program. This contractor provides full service licensing management, which includes the recording of license information, processing renewal notices to pet owners, maintaining and issuing license tag numbers and collecting and remitting license revenue to the City.

Albuquerque Kennel Kompadres (Kompadres) is a not-for-profit organization whose sole responsibility is to help AWD promote the humane and ethical treatment of animals, while raising funds to support the mission of the department. Kompadres may provide goods, services or funding in its support efforts. Kompadres was formed in 2002 and has been the sole financier for AWD's Elementary School Outreach Program that targets 2<sup>nd</sup> and 3<sup>rd</sup> grade children. The program reaches approximately 2,500 students each year.

Chameleon is AWD's animal care information system. Chameleon serves as the department's comprehensive database for animal care and financial transaction information. This system allows AWD to manage and track kennel, animal, license, finance, clinic, field operation and donor information.

### AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Does AWD have effective accounting internal controls to ensure that expenditures and revenues are recorded and monitored in compliance with City ordinances, policies and procedures and GAAP?
- Does AWD have effective internal controls to ensure that cash or non-cash gifts received from Kennel Kompadres are accurately recorded and expended to meet AWD goals?
- Does AWD have effective internal controls for the Chameleon information system to ensure the accuracy and integrity of animal care data?

### SCOPE

Our audit did not include an examination of all functions and activities related to AWD. Our scope included select AWD fiscal and operational processes for FY09 and FY10.

This report and its conclusions are based on information taken from a sample of transactions and do not intend to represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork, June 17, 2011 and does not reflect events or accounting entries after that date.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### METHODOLOGY

OIA reviewed State and City regulations applicable to the fiscal operations of AWD. Key personnel were interviewed to gain a better understanding of the department's activities and internal control framework. Test work was completed for fiscal and operational controls to determine compliance with City ordinances, policies and procedures and Generally Accepted Accounting Principles (GAAP) for FY09 and FY10.

This audit also used Control Objectives for Information and related Technology (COBIT) to identify industry best practices for user identification security. The Information Technology Governance Institute is the oversight organization for COBIT guidelines and is a standard setting organization for information systems auditing.

OIA used audit sampling software to generate statistical and random attribute test data when needed to accomplish audit objectives. Population data was derived from AWD and City information systems when possible. Random samples were selected for documentation that was only available in hard copy format.

### FINDINGS

The following findings concern areas that we believe could be improved by the implementation of the related recommendations.

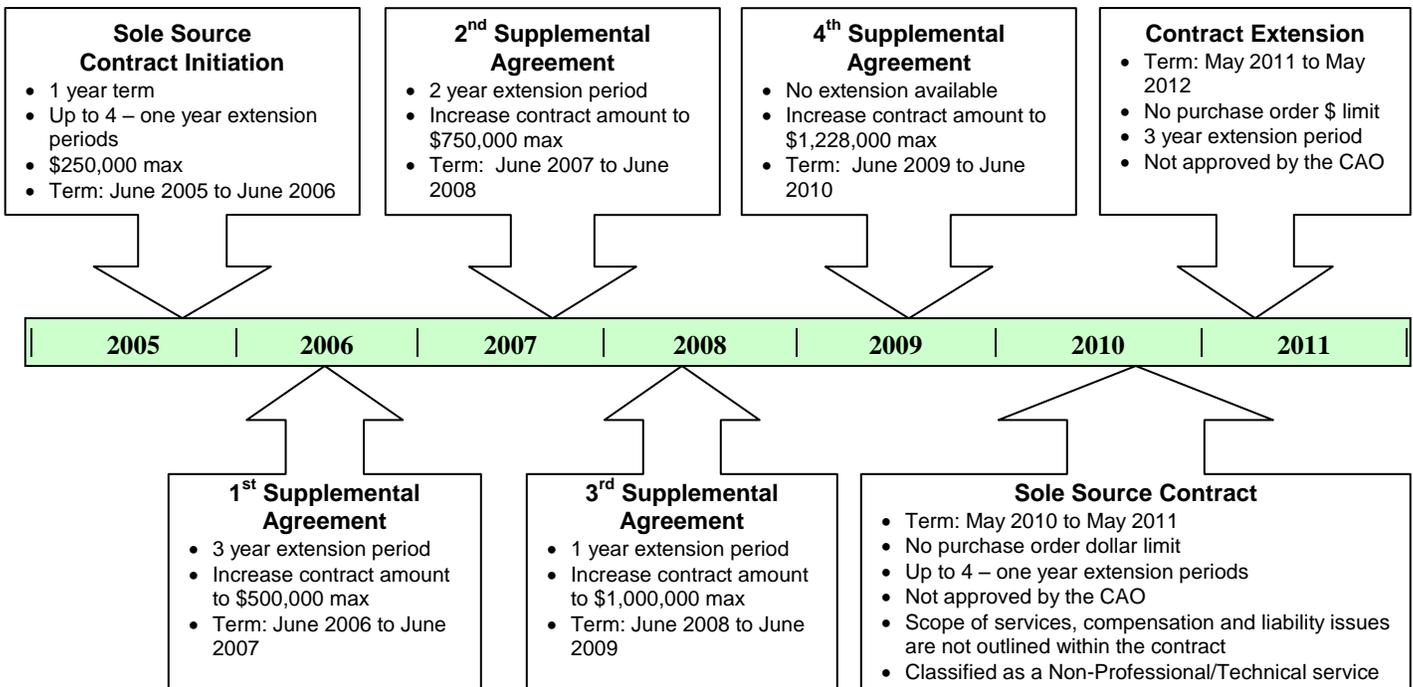
1. AWD SHOULD NEGOTIATE AND IMPLEMENT A COMPREHENSIVE CONTRACT FOR OUTSOURCED PET LICENSING SERVICES.

*A. Contract*

AWD's current contract for the management of the department's license program does not outline essential contract elements such as, scope of services, vendor compensation and liability language. On May 10, 2010, the Department of Finance and Administrative Services (DFAS) – Purchasing Division approved a Non-Professional/Technical sole source procurement for AWD's license program for FY11. Annual compensation on the sole source resolution was

estimated at \$25,000 per year for four years. On May 19, 2011, this contract was extended for another year (FY12). Neither the FY11 or FY12 contracts were approved by the Chief Administrative Officer (CAO). The actual compensation received by the contractor in FY09 and FY10 averaged approximately \$250,000 per year.

The timeline below illustrates the progression from the old to new contract.



Key variances between the old and new contract are outlined within the table below.

**Key Contract Element Variances**

Contract Element	Old Contract	New Contract
Scope of Services	<ul style="list-style-type: none"> <li>• Revenues Collection and Deposits to the City</li> <li>• License Processing</li> <li>• Notices to Licenses</li> <li>• Reporting to the City</li> </ul>	<ul style="list-style-type: none"> <li>• Contract states “Record and update COA animal records, distribute license tags to participating Vets, send renewal notices to owners and other recordkeeping.”</li> </ul>
Vendor Compensation	<ul style="list-style-type: none"> <li>• \$250,000 per year max</li> <li>• \$3.50 for each one year license or replacement</li> <li>• \$2.00 each additional year license</li> <li>• \$2.50 each late fee collected</li> </ul>	<ul style="list-style-type: none"> <li>• No max include in contract</li> <li>• \$3.50 per license</li> </ul>
Liability	<ul style="list-style-type: none"> <li>• Indemnity clause</li> <li>• Commercial general liability insurance</li> <li>• Audit and inspection clause</li> <li>• Confidentiality</li> </ul>	<ul style="list-style-type: none"> <li>• Not included in contract</li> </ul>
City Approval	<ul style="list-style-type: none"> <li>• City Council</li> <li>• Legal Department</li> <li>• Chief Administrative Officer</li> <li>• AWD – Director</li> </ul>	<ul style="list-style-type: none"> <li>• DFAS-Purchasing</li> </ul>

Source: Contracts provided by DFAS – Purchasing

The absence of a comprehensive contract exposes the City to unnecessary liability, unclear scope of services and vague compensation requirements. A comprehensive contract ensures that each party understands and can fulfill the specified performance of the contract.

Administrative Instruction 1-1 states “Signature Authority for written agreements which bind the City and which are not specifically delegated in this Administrative Instruction, or by separate instruction, directive or other document, is reserved to the Chief Administrative Officer.”

*Revenue Recognition*

The contractor accepts online license payments but does not deposit this revenue into the City’s account. Online revenue is retained by the contractor and appears as a credit on monthly invoices to the City. This netting process is not in compliance with GAAP, which states that “revenue recognized by recipient entities should be recognized as a financing source in calculating the results of operations and not as a deduction in determining net cost of

operations.” Therefore, AWD should receive all revenue collected by the contractor on behalf of the department’s license program.

Lack of fiscal oversight and the absence of a comprehensive contract have allowed the online payment process to operate in this manner. As a result, license revenue accounts within the City’s general ledger misrepresent the actual amount of revenue derived from licensing fees. Associated expense accounts are also misrepresented because the offsetting credit lowers the amount recognized in the City’s general ledger when paying the contractor’s invoices. The amount of unrecognized revenue and expenses due to the netting process was \$41,523 in FY09 and \$42,816 in FY10.

The contractor also charges City customers an additional \$1.95 convenience fee for online payments. For example, if John Doe wanted to renew his pet license online, he would have to pay \$7.95 (\$6 for the license and a \$1.95 convenience fee). Revenue from these transactions is fully retained by the contractor and is not addressed in the current contract. As a result, the contractor is retaining an unknown amount of revenue that is generated from the \$1.95 online convenience charge.

### RECOMMENDATIONS

AWD and DFAS-Purchasing should review the license management contract to identify and correct the scope of service, compensation, liability and approval issues. The contract should also address the process for remittance of online fees and transactions fees collected by the contractor.

AWD should ensure the practice of netting online revenue with an offsetting credit on invoices from the contractor is discontinued so the City’s general ledger contains actual revenue and expense amounts.

AWD should perform a cost benefit analysis to determine if efficiencies can be gained by managing the license program in-house.

The CAO should review the sole source procurement process to identify and correct areas that may expose the City to unnecessary liability and vague scopes of service.

RESPONSE FROM AWD

*“We agree and we already had been planning to issue a Request for Proposals. The practice of netting online revenue with an offsetting credit has been discontinued.”*

ESTIMATED COMPLETION DATE

*“We will begin the RFP process and expect to have a contract in place by the end of the second quarter of FY/12.”*

RESPONSE FROM THE DFAS-PURCHASING DIVISION

*“Since the changes of what the City considered to be a p/t [professional/technical] changed see date on Attachment A. There was no p/t agreement drawn up as it was considered a regular service.”*

ESTIMATED COMPLETION DATE

*“Purchasing is looking to see if there are others available, and a RFP was recommended to test market for services required.”*

RESPONSE FROM THE CAO

*“The CAO’s Office agrees and will begin reviewing the procurement process with the Purchasing Division to ensure the process is correct.”*

ESTIMATED COMPLETION DATE

*“Will begin and have in place by the end of the second quarter of FY/12.”*

2. AWD SHOULD PERFORM OVERSIGHT FUNCTIONS ON A TIMELY BASIS TO ENSURE THE FINANCIAL ACCURACY AND INTEGRITY OF THE HEART FUND.

A. *License Revenue Transfers*

Accounting entries to transfer 60 percent of net license fees to the HEART fund are created from third party information that does not reconcile to the City’s general ledger. AWD has not reconciled general ledger accounts to information received from the contractor who manages

AWD’s license program. As a result, amounts transferred into the HEART fund are not supported by the City’s official book of record. OIA selected every fourth month of FY09 and FY10 for testwork. The graph below illustrates the license revenue variance between City and license management contractor for the months tested.

**License Revenue Variance for Selected Months  
 FY09 - FY10**

Month/Year	October 2008	February 2009	June 2009	October 2009	February 2010	June 2010
Total Revenue per Contractor Summaries	\$ 29,826	\$ 31,096	\$ 32,622	\$ 26,407	\$ 26,493	\$35,193
Total Revenue per City General Ledger *	\$ 24,221	\$ 22,527	\$ 31,232	\$ 24,193	\$ 21,483	\$ 33,547
<b>Variance</b>	<b>\$ (5,605)</b>	<b>\$ (8,569)</b>	<b>\$ (1,390)</b>	<b>\$ (2,214)</b>	<b>\$ (5,010)</b>	<b>\$ (1,646)</b>

\* Includes account numbers 421601 (license revenue) and 444016 (Penalties/late charges).

Source: City General Ledger and Contractor Summary Reports

The Government Finance Officers Association (GFOA) states that periodic reconciliations are important to ensure the financial accuracy of accounting records and balances reported in general ledger control accounts should be reconciled to related amounts reported in subsidiary ledgers.

*B. General Ledger*

As of June 2011, journal entries to account for the actual amount of net license and permit fees under the HEART ordinance have been entered but not posted to the City’s general ledger for FY10. Sixty percent of net license and permit fees are to be transferred to the HEART fund. The Office of Management and Budget estimates revenue for each FY, which is transferred on a one-twelfth basis throughout the year.

Indirect overhead is assessed to the HEART fund and is based on budgeted expenditure appropriation for the FY. The DFAS-Accounting Division’s year-end procedures outline processes to adjust the amount of indirect overhead from budgeted to actual activity (true-up). However, true-up journal entries to adjust budgeted to actual indirect overhead were not performed for FY09. Budgeted expenditures were \$158,000 and actual expenses were \$103,223 for FY09. The applicable indirect overhead rate was 8.5 percent. It appears that the HEART fund was over assessed approximately \$5,000 (\$158,000x8.5% - \$103,223x8.5%) in indirect overhead for FY09. In addition, it does not appear that a true-up entry has been performed for FY10.

Untimely financial information hinders the ability of decision makers to adequately plan and budget for future fund needs. GFOA states that timeliness is an essential characteristic of accounting data and information is valuable to decision makers only if it is available in time for decision making.

*C. Expense Items*

OIA identified expenditures in the HEART fund that do not appear to meet the intent of the HEART ordinance. Utility and advertising payments processed through the HEART fund during FY09 and FY10 totaled \$507.99 and \$404.61, respectively. The HEART ordinance states that “monies are dedicated exclusively to programs for the free microchipping and the free spaying and neutering of Companion Animals for Low Income Persons, Moderate Income Persons, Seniors and when possible, the general public.”

AWD does not actively monitor the HEART fund and has not consistently performed financial reconciliations that would allow the department to identify erroneous activity. Un-reconciled control accounts may contain expenditure activity that is not allowed under the HEART ordinance.

RECOMMENDATIONS

AWD should:

- Perform timely reconciliations of general ledger accounts to third party data to ensure the accuracy and integrity of the City’s official book of record.
- Perform oversight functions in a timely basis to ensure appropriate accounting entries are recorded for the accuracy, integrity and proper administration of HEART fund monies.
- Monitor the HEART fund to ensure expenditures are allowed under the HEART ordinance.

RESPONSE FROM AWD

*“We agree. We will monitor this area of activity and will do quarterly transfers that comply with the HEART Ordinance.”*

ESTIMATED COMPLETION DATE

*“The quarterly transfers will commence at the end of the first quarter of FY/12.”*

3. AWD SHOULD IMPLEMENT POLICIES AND PROCEDURES TO ENSURE THE ACCURACY AND INTEGRITY OF REVENUE AND EXPENDITURE ACTIVITY.

Policies and procedures for revenue and expenditure activities do not exist. AWD currently operates on institutional knowledge to support these processes. Exceptions were noted for five of 24 revenue items tested:

- Supporting documentation could not be located for four items and
- One item did not reconcile to the supporting documentation provided.

Exceptions were also noted for seven of 24 expenditure items tested:

- Two items were paid after a 30-day period,
- AWD could not find supporting documentation for one item,
- Signature authorization could not be located for three items and
- The amount for one item was not properly reviewed or authorized for payment by the contracted third party or City personnel.

AWD cannot attest to the accuracy of accounting data contained within the City’s general ledger without supporting documentation. Unauthorized expense payments circumvent internal controls that help ensure the accuracy and accountability of payments.

GFOA states that effective policies and procedures are an essential component of any truly comprehensive internal control framework for accounting and financial reporting. Control-related policies and procedures are essential to the integrity of the data processed by the accounting system and included in financial reports, both internal and external.

Administrative Instruction 3-7 states “It is the policy of the City to pay all vendors in accordance with the terms of the contracts or within thirty days from the date of receipt of goods or services and/or date of invoice, whichever comes last.”

### RECOMMENDATION

AWD should create and implement a comprehensive internal control framework for revenue and expense activities that incorporate the five essential internal control elements outlined by GFOA. The framework should:

- Provide a favorable *control environment*,
- Provide for the *continuing assessment of risk*,
- Provide for the design, implementation and maintenance of effective *control-related policies and procedures*,
- Provide for the effective *communication* of information and
- Provide for ongoing *monitoring* of the effectiveness of control policies and procedures.

### RESPONSE FROM AWD

***“AWD agrees and will create and implement policies and procedures.”***

### ESTIMATED COMPLETION DATE

***“The end of the second quarter of FY/12.”***

4. AWD SHOULD PERFORM TIMELY RECONCILIATIONS BETWEEN THE CITY’S GENERAL LEDGER AND CHAMELEON TO ENSURE THE ACCURACY AND INTEGRITY OF THE CITY’S OFFICIAL BOOK OF RECORD.

AWD has not performed financial reconciliations or developed comprehensive reports to allow the department to reconcile revenue from the department’s subsystem (Chameleon) to the City’s general ledger. Chameleon generates daily deposit reports that compile daily activity from each of AWD’s cash sites. However, daily reports are often adjusted to reflect actual activity.

OIA selected a random sample of 24 days from FY09 and FY10. Aggregate totals for all three cash sites did not reconcile for 11 of 24 days tested. AWD may not be able to attest to the accuracy of accounting data contained within the City’s general ledger that is used by City management as a basis to make departmental decisions.

GFOA states:

- Periodic reconciliations are important to ensure the financial accuracy of accounting records.
- Balances reported in general ledger control accounts should be reconciled to related amounts reported in subsidiary ledgers.
- Information is useful to financial report users only if it can make a difference in how the users assess a problem, condition or event. Irrelevant data can impair management's decision making processes.

#### RECOMMENDATIONS

AWD should:

- Create Chameleon reports that will allow the department to actively reconcile to the City's general ledger accounts.
- Perform timely reconciliations and adjustments between general ledger accounts and Chameleon to ensure the accuracy and integrity of the City's official book of record.

#### RESPONSE FROM AWD

***"We agree with the recommendations. We will put a system in place that will provide for the appropriate reports, reconciliations and adjustments, in accordance with the audit recommendations."***

#### ESTIMATED COMPLETION DATE

***"The end of the third quarter of FY/12."***

#### 5. AWD SHOULD ALIGN PROGRAMMATIC ACTIVITIES WITH THE INTENT OUTLINED WITHIN THE HEART ORDINANCE.

AWD is qualifying low income individuals on a basis that does not meet the Low or Moderate Income definitions outlined within the HEART ordinance. AWD used various methods to identify the income status for low income individuals such as: check stubs, unemployment check stubs, student identification cards, stated income, UNM healthcare and SSI applications. These do not conform to low/moderate income qualifications under the HEART ordinance. In addition, many low income qualification forms simply stated "yes", had a check mark, or were left blank. For example, there were two days from OIA's selection of 24 that contained numerous exceptions.

- December 22, 2009 – 11 of 16 low income qualification forms stated “yes”, had a check mark or were left blank.
- March 11, 2010 – 11 of 17 low income qualification forms stated “yes”, had a check mark or were left blank.

Training manuals do not outline applicable low income qualifications that agree with the HEART ordinance. Moderate income qualification information within training manuals has not been updated to reflect current income levels as defined in the ordinance.

As a result, AWD may be performing free or reduced services for individuals that the HEART ordinance did not intend to benefit. Consequently, AWD may be incurring unnecessary expenses for spay, neuter, microchipping and animal care for unqualified individuals. Section 9-2-1-2 of the HEART ordinance states “The Council further finds that the City should continue to fund free low and moderate income microchipping and spay and neuter programs through fees collected in this article and from general fund monies as needed.”

Section 9-2-1-4 of the HEART ordinance defines a Low Income Person as

(1) A Person who possesses:

- (a) An EBT card issued by the State of New Mexico for Food Stamps;
- (b) Either the annual letter of statement of benefits or monthly benefit card for Supplemental Security Income;
- (c) An EBT card issued by the State of New Mexico for the Temporary Assistance for Needy Families program; or
- (d) A Medicaid health benefit card; or

(2) A Person:

- (a) Whose income is 50% or less of the median gross income for the City adjusted for family size, as determined by the U.S. Department of Housing and Urban Development or by figures obtainable from the Family and Community Services Department of the City of Albuquerque or its successor agencies; and
- (b) Who signs and submits an affidavit to AACC (Albuquerque Animal Care Center, now AWD) swearing that his or her income is 50% or less of the median gross income for the City, adjusted for family size.

Section 9-2-1-4 of the HEART ordinance defines a Moderate Income Person as any person:

- (1) Whose income is 80% or less of the median gross income for the City adjusted for family size, as determined by the U.S. Department of Housing and Urban Development or by figures obtainable from the Family and Community Services Department of the City or its successor agencies; and
- (2) Who signs and submits an affidavit to AACCC swearing that his or her income is 80% or less of the median gross income for the City, adjusted for family size.

#### RECOMMENDATIONS

AWD should:

- Revise the department's training manuals and processes to agree with the intent and low/moderate income qualifications outlined within the HEART ordinance.
- Revise qualification forms to ensure the information necessary to determine eligibility is documented.
- Train employees on the changes outlined within the revised manuals and forms.

#### RESPONSE FROM AWD

*“We agree with the recommendations, and we will review our materials and training to ensure that we properly identify low-income and moderate-income residents. However, we do not believe that we have performed free or reduced-price services for individuals the HEART Ordinance did not intend to help. Under the law, our programs are not exclusively for low-income and moderate-income residents, as the auditor seems to suggest. The HEART Ordinance states that a portion of our appropriation is to be used to provide free micro-chipping and spay/neuter services for the pets of “low income persons, moderate income persons, seniors and when possible the general public.” We will monitor this activity to make sure it stays within appropriate funding levels, and we will take steps to better classify the recipients of services in accordance with the audit recommendations.”*

ESTIMATED COMPLETION DATE

*“The end of the second quarter of FY/12.”*

6. AWD SHOULD REVIEW PERFORMANCE MEASURE DATA TO ENSURE THAT RESULTS ARE ACCURATE AND RELIABLE.

OIA noted compilation errors for monthly spay and neuter reports. Supporting documentation and summary reports did not reconcile for six of the seven months tested. Monthly spay and neuter reports are used to convey the number of spay, neuter, microchipping, booster shots and rabies shots administered by the department. It does not appear that summary or monthly reports are reviewed for accuracy.

Inaccurate performance information may misinform management and policy maker decisions. GFOA states that performance measurement is essential if budget decisions are to focus on results and outcomes and sound performance measure characteristics should include reliability and monitoring functions to ensure accuracy.

RECOMMENDATION

AWD should review monthly spay and neuter reports to ensure their accuracy and reliability.

RESPONSE FROM AWD

*“We agree with the recommendation and already had been taking action along these lines. With the opening of the new spay and neuter clinic, we reviewed and completely reconstructed our reporting system to provide monthly statistical summaries that are far more detailed, reliable and useful than the reports we have had in the past.”*

ESTIMATED COMPLETION DATE

*“The recommended task has been accomplished, but we also are creating a corresponding back record for at least FY/11 so we can compare our current reports to our past record of activity. Creating the back record will involve a review by hand of surgical logs and other documents, but we believe the back record will be valuable and we can complete the process during August.”*

7. AWD SHOULD MAINTAIN ADEQUATE RECORD KEEPING DOCUMENTS FOR GOODS, SERVICES AND FUNDS RECEIVED FROM KENNEL KOMPADRES.

AWD does not maintain records of goods or services received from Albuquerque Kennel Kompadres (Kompadres). As a result, AWD or the City can not verify the amount of donated goods and services Kompadres has provided. Kompadres' 990 tax forms indicate they provided program services of \$22,495 in 2009 and \$50,895 in 2010.

The agreement between the City and Kompadres states "The Kompadres agrees that its sole purpose and function is to help promote and raise funds to support the work of AWD in its efforts to educate the public on and promote the humane treatment and care of animals, provide humane care for animal entrusted to its care, conduct and support spay/neuter programs and promote animal adoption." Therefore, it would be in the best interest of AWD to confirm the activities of a not-for-profit organization that is using the City's name to derive revenue. A process for recording goods received would also reduce the risk of misuse of donated items.

The agreement also states "If the Kompadres' gross annual income is One Hundred Thousand Dollars (\$100,000) or less, the Kompadres shall file a statement with the City in the form [of] a balance sheet showing the assets of Kompadres, its liabilities, its income, classified by general source, and its expenditures, classified by object." As of May 2011, AWD has not received this information. Such information would provide additional insight for Kompadres activities that support the department.

RECOMMENDATION

AWD should:

- Create an adequate record keeping process for goods, services or funds received from Kompadres. The process should include documents that would enable the department to adequately measure the value derived from Kompadres efforts and reduce the risk of misuse of donated items. Record keeping documents should include information such as:
  - Date and time for goods, services or fund transfers,
  - Description of goods, services or funds,
  - Individual and totals for quantities and amounts (value or cost) and
  - Donor and recipient names and signatures verifying the above is accurate and complete.
- Ensure that the department receives and reviews financial reports outlined within the agreement to confirm the activities and impact Kompadres has on AWD operations.

RESPONSE FROM AWD

*“We agree with the recommendations. We will work with Kennel Kompadres to develop a records-keeping system to track the receipt of items that are provided for our kennels. We will ensure that we receive appropriate financial reports from Kennel Kompadres. To date, we have been reviewing the annual reports that Kennel Kompadres submits to the IRS, which provide a balance sheet as well as information about liabilities, expenditures, income and other topics. Contrary to what is suggested by the audit recommendations, we are not directly receiving money from Kennel Kompadres, and we have no intention of doing so.”*

ESTIMATED COMPLETION DATE

*“The end of the second quarter of FY/12.”*

8. AWD SHOULD CREATE AND IMPLEMENT POLICIES, PROCEDURES AND PROCESSES TO ENSURE THE ACCURACY AND INTEGRITY OF THE CHAMELEON SYSTEM.

A. *User Identifications*

It appears that Kennel and Veterinary workers are using each other’s user identifications to enter or modify data within the department’s animal care database (Chameleon). OIA tested a random sample of 24 days from FY09 and FY10. The below table illustrates the findings of OIA’s test work.

**Daily Activity Entered Into Chameleon**

Functional Category in Chameleon Database	Average Number of Staff per Work Day*	Average Percentage of Daily Activity Entered by 5 Staff Members.
Kennel Services	39	44%
Veterinary Services	15	85%
Customer Services	8	86%
Field Services	30	N/A**

\* Average number of staff calculated by AWD.

Source: Chameleon Database

\*\* No activity was derived within Chameleon for selected dates.

User policies and procedures for the Chameleon database have not been created. AWD does not administer user training to new employees that are unfamiliar with the functionality of

Chameleon. As a result, AWD is unable to assign responsibility and accountability to each individual using the system. Absent user policies allows AWD workers to use each others user identifications with no enforcement or recourse for erroneous activity.

*City Information and Technology Policies and Procedures* for user identification security states “User IDs and passwords shall not be shared among users.” In addition, COBIT guidelines state that user account management should ensure access control procedures include the following:

- A procedure to require users to understand and acknowledge their access rights and the conditions of such access.
- Awareness that the use of group IDs results in the loss of individual accountability.

#### *B. Automatic User Session Timeout*

Chameleon does not automatically terminate user sessions after a specified period of inactivity. The system has not been configured to automatically log out users after a specific period of time. Lack of system controls promote the use of user identification sharing because of the absence of automatic session terminations.

*City Information and Technology Policies and Procedures* for user identification security state “A system shall automatically terminate a user session after a minimum standard period of inactivity.” The policy further states “The intent of this policy is to maintain accountability. Protection of City assets and accountability for their use shall override convenience in all circumstances.”

#### *C. Data Monitoring*

AWD does not actively monitor modified or deleted information within Chameleon. AWD stated that reports exist to track or monitor changes in records, including additions of new records or the deletion of existing records, but they are not currently used. As a result, critical information needed to generate federally mandated or other performance reports could be altered or lost, which may provide flawed data for decision makers.

COBIT guideline 11.1 states that control practices should include the following:

- Defining and implementing a process that ensures that data inputs are prepared with embedded checks for completeness, validity, accuracy, security, authorization and integrity.

- Defining and implementing a process that properly safeguards and stores source data and prevents their unauthorized modification.

#### *D. User Access*

AWD assigns broad access, under the *Public-User* role. This role allows all individuals to insert, select, update and, in some cases, delete information from database tables within the Chameleon system. The delete access granted under the *Public-User* role is minimal and does not pertain to critical information such as animal treatment or financial receipts. The *Public-User* role allows the user to access update, modify or insert information within financial, veterinary, kennel and field operation tables. Allowing users to have broad access hinders the department's ability to ensure the accuracy and data integrity of the Chameleon system.

Access to delete critical information is normally reserved for *Super2* users. As of June 2010, there are four *Super2* users. However, AWD's System Administrator has the ability to grant or deny additional privileges to users that may allow certain individuals to delete information. Therefore, it is essential for management to actively review and reallocate user access rights on a regular basis.

OIA previously identified similar issues pertaining to data integrity and user access in AWD – Special Audit Number 08-104, issued October 13, 2008. Audit 08-104 identified the following:

- Users had *Public* access, which meant they had the same lateral ability to insert, select and update information.
- The Chameleon system user access levels had never been evaluated.
- AWD did not know of any reports for reviewing/monitoring additions, modifications and deletions of Chameleon data.

COBIT guidelines state that management should review or reallocate user access rights at regular intervals using a formal process. User access rights should be reviewed or reallocated after any job changes, such as transfer, promotion, demotion or termination of employment. Authorizations for special privileged access rights should be reviewed independently at more frequent intervals.

#### RECOMMENDATIONS

AWD should:

- Create user policies and procedures to include accountability measures for all Chameleon users.
- Ensure that all staff members are properly trained in their functional areas of use within Chameleon. Advanced training should be considered for positions that may need additional functionality such as query or report generation.
- Work with the DFAS-Information Technology Services Division to automatically log off users due to inactivity. For example, Chameleon would automatically log off users with five minutes of inactivity.
- Create and implement a process that monitors the accuracy and integrity of critical data within the Chameleon system.
- Create user groups that align user access with the authority needed to accomplish job duties such as, kennel, customer service, field operations and veterinary duties.
- Regularly review and reallocate user access rights especially after any position changes within the department.

RESPONSE FROM AWD

*“We agree with the recommendations and will develop appropriate policies, procedures and training in accordance with the audit findings.”*

ESTIMATED COMPLETION DATE

*“The end of the third quarter of FY/12.”*

9. THE ANIMAL WELFARE DEPARTMENT SHOULD IMPLEMENT A PERPETUAL MICROCHIP INVENTORY TRACKING PROCESS.

*A. Microchip Inventory*

AWD does not maintain complete inventory records for microchips. In January 2011, AWD created a sign-out sheet to track microchip disbursements by the master case (50 microchips per case.) The sign-out sheet doesn't include a beginning inventory, purchases or an ending inventory balance. AWD stated that the department accounts for microchips by the master case and considers the microchips to be used when each master case is signed out.

As a result, AWD can not accurately account for microchip inventory purchased in the last FY. OIA is taking a conservative approach and assuming there was zero beginning inventory for the following analysis. During FY11, AWD purchased 17,000 microchips at a cost of \$9.99 each, which totaled \$169,830. OIA's count of the microchips on-hand and AWD's sign-out sheet that

began in January 2011 can account for 12,900 microchips. Therefore, there are 4,100 microchips with a total value of approximately \$41,000 that the department cannot account for. Lack of inventory tracking increases the risk of misuse of microchips.

*B. Microchip Distributions to Outside Entities*

AWD distributes microchips to veterinary clinics on contract under AWD's voucher program. The sign-out sheet started in January 2011 does not consistently identify the veterinary clinic that received the microchips. In addition, AWD has not requested that un-used microchip inventory be returned to the department.

AWD has not created complete records for microchips that have been distributed to veterinary clinics under the voucher program. As a result, AWD can not accurately determine how many microchips have been distributed, and therefore cannot determine how many should be returned.

Administrative Instruction 6-4 states that departments should exercise control over their non-capitalized assets by establishing and maintaining adequate control procedures.

RECOMMENDATIONS

AWD should:

- Create and implement a microchip inventory tracking process. The process should include a beginning inventory, purchases, microchips issued (either in-house or to outside entities) and an ending balance. Inventory records should include enough information to deter theft and ensure the accuracy of inventory such as:
  - Date,
  - Individual that removed inventory,
  - Microchip number range within removed master case,
  - Master case number,
  - If distributed to veterinary clinics, additional information such as the name of the veterinary clinic that is receiving the microchips should be included. Follow up should be conducted on the un-used microchips.
- Periodically reconcile microchip inventory on-hand to inventory records and actual microchips used in animals.

RESPONSE FROM AWD

*We agree with the recommendations. We will create and implement a microchip inventory tracking process, in accordance with the recommendations. We will establish a program of periodically reconciling microchip inventory on-hand to inventory records and actual microchips used in animals.*

ESTIMATED COMPLETION DATE

*“The end of the second quarter of FY/12.”*

10. AWD SHOULD ENSURE THAT INDIVIDUALS HANDLING CASH ARE CERTIFIED BY THE DFAS-TREASURY DIVISION.

OIA noted exceptions with 2 of 18 AWD cash handlers. One individual was not certified to handle cash and one individual's certificate was expired. AWD was unaware that these individuals were not currently certified by DFAS-Treasury. Untrained cash handlers may not thoroughly understand their responsibilities, which may lead to negligent safety, accuracy and accountability actions.

Administrative Instruction 2-6 states “Those individuals not certified by the Treasury Division will not be recognized as official cash handlers and shall not handle City monies until completing the training course and receiving certification.”

RECOMMENDATION

AWD should ensure that all cash handlers are certified by DFAS-Treasury.

RESPONSE FROM AWD

*“The department will track cash-handler certifications and will ensure that all cash handlers are certified by DFAS-Treasury.”*

ESTIMATED COMPLETION DATE

*“This has already been accomplished, but of course it will be ongoing.”*

CONCLUSION

Based on the findings within this audit, OIA believes that AWD will benefit from our efforts. This audit will help improve the accountability and fiscal integrity of the department's contractual, fiscal and operational oversight activities.

We greatly appreciate the assistance and cooperation of AWD personnel during the audit.

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Principal Auditor

REVIEWED:

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Internal Auditor

APPROVED:

APPROVED FOR PUBLICATION:

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Carmen L. Kavelman, CPA, CISA, CGAP  
Director, Office of Internal Audit

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Chairperson, Accountability in Government  
Oversight Committee