



# *City of Albuquerque*

## **Office of Internal Audit**

FOLLOW-UP OF THE  
ANIMAL WELFARE DEPARTMENT  
FISCAL MANAGEMENT AUDIT

Report #16-11-101F

June 22, 2016

### **INTRODUCTION**

The Office of Internal Audit (OIA) performed a follow-up of Audit No. 11-101, Animal Welfare Department – Fiscal Management during fiscal year (FY) 2016. The purpose of the follow-up is to report on the progress made by the Animal Welfare Department (AWD), the Finance and Administrative Services Department (DFAS), and the Chief Administrative Officer (CAO) in addressing the findings and recommendations. Follow-up procedures rely on the department(s) providing the status of the recommendations.

Follow-up procedures are substantially less in scope than an audit. The objective is to report on the status of corrective action regarding the findings and recommendations.

The scope was limited to actions taken to address the audit recommendations from the final audit report dated September 15, 2011, through the submission of actions taken by AWD, DFAS and the CAO as of June 16, 2016.

### **BACKGROUND**

The mission of AWD is to encourage responsible ownership of domestic animals; manage 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. Since the original issuance of the report in September 2011, AWD has experienced high fiscal management turnover, with the most recent Fiscal Officer being hired in July 2015.

AWD uses, Chameleon, an animal care information system to manage and track kennel, animal, license, finance, clinic, field operation and donor information. AWD is also responsible for administering the Humane and Ethical Animal Rules and Treatment (HEART) fund.

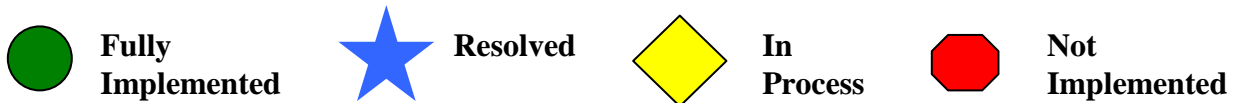
AWD has a contract with a third party vendor to provide full service licensing management, which includes the recording of license information, processing renewal notices to pet owners, maintaining and issuing license tag numbers and collecting and remitting license revenue to the City.

Albuquerque Kennel Kompadres (Kompadres) is a not-for-profit organization, founded in 2002, 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.

**SUMMARY**

Of the ten recommendations addressed in AWD’s Fiscal Management audit report, two have been fully implemented, six are in process and two have not been implemented.

The status of the recommendations is identified by the symbols in the following legend.



**Recommendation #1:**

- 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 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.”

**Status Reported by AWD, DFAS and CAO as of June 16, 2016:**

“The recommendations have been implemented.”

“A Request for Proposals was issued in 2012 and a new contract with vendor PetData Inc. was signed in January 2013.

“Subsequently, the Office of Internal Audit looked again at our practices regarding PetData. A formal audit report was not written at that time, but the Office of Internal Audit informally recommended some changes in our procedures, and we fully implemented those suggestions.

“We have analyzed the possibilities for in-house licensing and other aspects of the pet licensing program. We recently submitted a report on this topic to the Mayor and the City Council. We are considering reforms, in conjunction with the Mayor and the City Council, and consequently the future of the program is uncertain.”



**Fully Implemented**

*AWD, DFAS, and CAO have addressed the contract, revenue, license program analysis, and sole source procurement concerns of the finding. The current contract includes elements previously excluded such as scope of services, compensation, liability, and valid approvals. Revenue is no longer netted with an offsetting credit on invoices. Revenue is directly remitted from contractor to AWD, and subsequent invoices are paid, which allows both to remain separate transactions.*

*AWD performed a cost/benefit analysis for managing the pet license program in-house, and determined that “the least risky alternative would be to continue the current program without reform, and to continue using PetData or a like vendor.”*

*On March 7, 2016, the City Council amended the City’s Purchasing Ordinance to include mandatory Council approval for sole source contracts relating to goods and services in excess of \$75,000.*

**Recommendation #2:** 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.”

**Status Reported by AWD as of June 16, 2016:**

“We have worked closely with the Budget Office on this matter. We monitor this area of activity and

commenced quarterly transfers that comply with the HEART Ordinance.”



**In Process**

*AWD has implemented two of the three sub-recommendations. AWD records quarterly HEART Ordinance fund transfers, and works with the DFAS-Budget Division to ensure the accuracy of the transfers. In addition, the Fiscal Officer monitors the fund's expense activity to ensure allowable costs are charged to the fund.*

*AWD plans to create a process, and policies and procedures to reconcile general ledger accounts to third party data. Reconciliations will help ensure the financial accuracy, and integrity of the HEART fund.*

**Recommendation #3:** 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.”

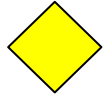
**Status Reported by AWD as of June 16, 2016:**

“AWD will adhere and closely follow the City of Albuquerque Administrative Instructions including Executive Instruction as it pertains to the all Financial Sections in specific sections below: Administrative Instruction NO. 2-1-1A

Sections:

- III. FINANCIAL
- IV. PURCHASES

“AWD Fiscal Management will continue to work on Standard Operating Procedures for the department.”



**In Process**

*AWD's current Fiscal Officer was hired in July 2015, and will strive to establish and document Department specific standard operating procedures. The Fiscal Officer has worked with staff to improve the Department's financial controls, and plans to establish policies and procedures in the future.*

**Recommendation #4:** 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."*

**Status Reported by AWD as of June 16, 2016:**

"AWD will adhere and closely follow the City of Albuquerque Administrative Instructions including Executive Instruction as it pertains to the all Financial Sections in specific sections below:

Administrative Instruction NO. 2-1-1A

Sections:

III. FINANCIAL

2-2: Credit, Collections & Accounts Receivable Policy

2-8-1: Handling and Deposit of Public Monies

"AWD Fiscal Management and City Treasury Records & Reconciles deposits daily from the Chameleon reports with in accordance to the City of Albuquerque General Ledgers.

"AWD creates City Transmittals from the Chameleon Database. Samples available upon request."



**Fully Implemented**

*On a daily basis, AWD generates Chameleon activity reports, reconciles to actual activity, and maintains supporting documentation by each of the Department's three cash locations.*

**Recommendation #5:** AWD should:

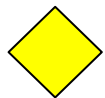
- Revise the department's training manuals and processes to agree with the intent and low/moderate income qualifications outlined within the HEART ordinance.
- Revise qualification forms to ensure the information necessary to determine eligibility is documented.
- Train employees on the changes outlined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

**Status Reported by AWD as of June 16, 2016:**

"We have reconstructed our approach to low-income and moderate-income spay/neuter surgeries in response to the recommendations of the Office of Internal Audit. We ensure that we assess qualifications appropriately, in accordance with the HEART Ordinance and the audit recommendations. We maintain information documenting the proper qualification of our clients. Employees have been trained, and information provided to the public, including on our Web site, has been rewritten accordingly."



**In Process**

*AWD has revised the Department's low/moderate income qualification form. The form captures the necessary HEART Ordinance eligibility requirements. Staff initials indicate what type of qualification was reviewed and approved.*

*AWD has not revised the Department's training manuals to include the current eligibility processes pertaining to the HEART Ordinance.*

**Recommendation #6:** 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.”*

**Status Reported AWD as of June 16, 2016:**

“We reconstructed our records-keeping regarding spay/neuter surgeries, and we now maintain records in our central database. Information is available for any date range and the records are routinely reviewed. Our records about the spay/neuter program are much more detailed, reliable and useful than any reports we had prior to the audit.”



**Not Implemented**

***AWD is not reviewing monthly spay and neuter reports to ensure they are accurate and reliable.***

**Recommendation #7:** 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.”

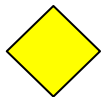
**Status Reported by AWD as of June 16, 2016:**

“We believe that we adequately measure the value derived from the efforts of Kennel Kompadres, and we maintain records accordingly, including financial reports that confirm the activities and impact of Kennel Kompadres.

“There was a misunderstanding during the audit regarding the acceptance of funds from Kennel Kompadres. We have never accepted money from Kennel Kompadres and have no intention of ever doing so.

“The principal areas of activity for Kennel Kompadres, which we measure, are:

- Veterinarian services that are provided to the general public by Kennel Kompadres through contracts between Kennel Kompadres and private veterinary clinics.
- Help for animals in City custody, through purchased and donated bedding, toys, furniture, enrichment items, and supplies for our foster program.
- Activities that support our adoption program, by providing decorations, advertising, supplies and other things associated with special events and adoption events.
- Shelter medicine assistance, through help in providing training for our key veterinary staff, and through support of research endeavors.”



**In Process**

*AWD maintains documentation for spay and neuter support services provided by Kennel Kompadres. However, documentation and records to support other areas of support such as goods (beddings, toys, furniture, etc.), medicine, and adoption program are not maintained.*

*AWD has received Kennel Kompadres 2014 and 2015 tax filings but cannot confirm the activities and impact because adequate records have not been maintained by the Department.*

**Recommendation #8:** 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.”

**Status Reported by AWD as of June 16, 2016:**

“We have developed appropriate policies, procedures and training in accordance with the audit findings.”



**Not Implemented**

***AWD has not created policies and procedures to address the information system recommendations of this finding. AWD’s System Administrator resigned in September 2015 and the City’s Department of Technology and Innovation has provided ancillary support for AWD’s Chameleon system.***

**Recommendation #9:** 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.”

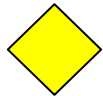
*Estimated Completion Date: "The end of the second quarter of FY/12."*

**Status Reported by AWD as of June 16, 2016:**

"In direct response to the audit findings, we created a microchip inventory tracking process. It takes into account the beginning inventory, purchases, microchips issued and an ending balance. There is routine reconciliation.

"The Office of Internal Audit conducted an accounting during its research. We used the Audit count of microchips as our baseline. Ever since, we have conducted periodic reconciliations, in accordance with Audit advice. We have reconciled our records on 16 occasions, as recently as year-end 2015, and each time we have maintained files showing beginning inventory, microchip purchases, microchip distribution and ending inventory.

"Currently, we are engaged with the Department of Technology and Innovation on a multi-faceted study of Animal Welfare Department purchasing and inventory management. This could result in further revisions of our practices."



**In Process**

*AWD has created microchip tracking and reconciliation forms. However, the last reconciliation was performed for the first quarter of 2015 (January, February and March).*

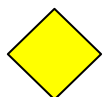
**Recommendation #10:** AWD should ensure that all cash handlers are certified by DFAS-Treasury.

**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."*

**Status Reported by AWD as of June 16, 2016:**

"The department ensures that all cash handlers are appropriately certified."



**In Process**

*AWD has not created department-wide procedures for ensuring all cash handlers are certified by DFAS-Treasury. OIA performed a surprise cash count on March 14, 2016, and identified that the Operations Manager's cash handling certification expired in October 2012.*

*AWD has three primary cash sites. Currently, one of the three sites maintains a tracking document to ensure cash handlers at this site are certified.*

Follow-Up  
Animal Welfare Department  
Fiscal Management  
June 22, 2016

No. 16-11-101F

SUBMITTED:

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