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September 14, 2007

Mr. Robert Miller
Director of Animal Services
5950 Wilderness Ave
Riverside, CA 92504

Subject: Internal Auditor's Report #2007-311 Department of Animal Services Follow-Up Audit

Dear Mr. Miller:

We have completed a follow-up audit of the Department of Animal Services. The audit was limited to reviewing actions taken, as of 30 April, 2007, to implement the recommendations made in our original Auditor's Report #2003-018, dated January 15, 2004.

We conducted our audit in accordance with auditing standards established by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives. We believe our work provides a reasonable basis for the conclusions reached.

The original audit contained four recommendations, all of which required implementation, and therefore were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Auditor's Reports #2003-018.

This follow-up audit found that of the four recommendations:

- Three recommendations were fully implemented.
- One recommendation was partially implemented.

We will follow-up on the one partially implemented recommendation within one year.

The following is a summary of the current status of the findings and recommendations identified in the original audit.

INTERNAL AUDITOR'S REPORT #2003-018

Unclaimed Spay and Neuter Deposits

Finding 1: Adequate controls were not established to ensure unclaimed spay and neuter deposits were used in accordance with State Food and Agriculture Code 30503. Reviews revealed procedures and general ledger accounts were not established to ensure restricted funds for spay and neuter programs were not co-mingled with General Funds, and that expenditures and unused balances were monitored and reconciled periodically.

Recommendation 1.1: Establish procedures to properly account for receipt and disbursement of spay and neuter deposits. Animal Control and Community Health Agency Fiscal personnel should meet with appropriate Executive Office personnel to discuss and clarify the amount to be reclassified from the General Fund to restricted funds for spay and neuter programs.

Current Status: Fully Implemented. Animal Services reclassified \$56,013.15 from the General Fund to a spay and neuter Sub-Fund 11102 effective June 30, 2003. We did note however, that Community Health Agency fiscal personnel were using Sub-Fund 11109 vice Sub-Fund 11102 to properly account for the receipt and disbursement of spay and neuter deposits. This occurred because fiscal personnel required Sub-Fund 11102 to properly account for the receipt and disbursement of Pet Overpopulation Coalition (POPCO) funds.

Donations and Cash Receipts

Finding 2: Donated funds were not adequately segregated, monitored, and reconciled to ensure they were used for the purpose intended. Our review identified the General Fund donation general ledger account was used for both unrestricted and restricted donations.

Recommendation 2: Management should develop accounting procedures to ensure donations are segregated, accounted for, and used for the intended purpose.

Current Status: Fully Implemented. Management developed accounting procedures to ensure donations are segregated, monitored and reconciled. However, our review of 42 expenditures totaling \$3,740 from the donations Sub-Fund 11109 noted that four expenditures valued at \$1,420 for landscape maintenance were inappropriate. When we brought this to the attention of Community Health Agency fiscal personnel they took immediate corrective action.

Finding 3: Fees received through the mail were not immediately recorded in a control document as they were received, were not restrictively endorsed for deposit only to the County's account, and in some instances receipts were not deposited for up to one week after mail delivery. The process did not establish a sound chain of custody for these receipts, and could increase the risk of theft and misuse of funds.

Recommendation 3: Management should ensure all mail collections are recorded in a mail log and restrictively endorsed immediately upon receipt; transfers of funds documented, and deposited timely to the appropriate accounts.

Current Status: Fully Implemented. Animal Services developed a transfer of accountability form and written procedures during our review. Animal Services developed a spreadsheet to record mail collections and also entered these into the Chameleon Software system currently in use at all locations. However, our review of cash receipts for three days indicated that deposits averaged 2.5 days.

Revolving Funds

Finding 4: Periodic cash counts of revolving funds were not performed. Our testing revealed surprise cash counts were not performed on the established change funds at the Riverside and Indio Shelters. The absence of this control increases the potential risk of abuse.

Recommendation 4: Periodic cash counts of all change funds, and the recently established Riverside Shelter petty cash fund, should be performed by a management representative at least quarterly, and signed documentation maintained in department files.

Current Status: **Partially Implemented.** Animal Services has not performed independent periodic cash counts of the four petty cash funds maintained at the Riverside, Indio, Thousand Palms or Blythe locations. Animal Services has recently assigned the responsibility for conducting quarterly cash counts to an individual in the fiscal section.

We appreciate the cooperation and assistance extended to us by Riverside County Animal Control staff during this follow-up audit. Their assistance contributed significantly to the successful completion of the audit.

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Auditor-Controller



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