

FISCAL AUDIT

**DEPARTMENT OF PUBLIC SAFETY
BUREAU OF ANIMAL CARE & CONTROL**

REVIEW OF CASH MANAGEMENT PRACTICES

Report by the
Office of City Controller

**MICHAEL E. LAMB
CITY CONTROLLER**

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October, 2013



MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building • 414 Grant Street • Pittsburgh, Pennsylvania 15219

October 8, 2013

To the Honorables: Mayor Luke Ravenstahl and
Members of Pittsburgh City Council:

The Office of the City Controller is pleased to present this report of the Review of the **Department of Public Safety Bureau of Animal Care and Control Cash Management Practices** conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

The Bureau of Animal Care and Control (the Bureau) operates under the Department of Public Safety and provides assistance to various city departments, and the Allegheny County Health Department with situations involving animals. The Bureau issues temporary dog licenses and provides humane traps to City residents for capturing stray/wild animals for a refundable deposit. Citations may also be issued for violations of any of the ordinances related to the ownership of pets within the city.

As part of our city-wide assessment of cash management practices, we conducted a review of the Department of Public Safety Bureau of Animal Care and Control to evaluate the adequacy of its cash management policies and procedures. The firm of Gleason & Associates, Certified Public Accountants and Consultants engaged by the Intergovernmental Cooperation Authority (ICA) is assisting in this city wide review, and reports for areas reviewed by them are issued separately.

The objective of this review is to gain an understanding of cash management policies, procedures and related internal controls associated with all fees collected by the Bureau, and to evaluate their adequacy and effectiveness.

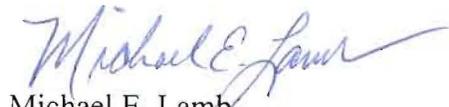
Our review disclosed the existence of inadequate cash management practices thereby increasing the risk of misappropriation of funds to occur and not be detected. Also, existing controls are weak and not sufficient to effectively mitigate such risks. We specifically noted inadequate recordkeeping and retention practices and inadequate internal controls over receipts issued for all

payments collected. Also, deposit records to support all payments collected were actually transferred to the Treasurer's Office for deposit were not properly maintained thereby making it difficult to accurately determine total payments collected and their subsequent deposit intact.

Our observations and recommendations are discussed in greater detail in the Result section of this report.

We wish to acknowledge the assistance and support of the Bureau staff during the course of our review.

Sincerely,

A handwritten signature in blue ink that reads "Michael E. Lamb". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael E. Lamb
City Controller

INTRODUCTION

This fiscal review of cash management practices of the **Department of Public Safety, Bureau of Animal Care and Control (the Bureau)** was conducted pursuant to the Controller's powers under Article IV, Section 404(b) of the Pittsburgh Home Rule Charter. A performance audit of the Bureau was released by the Controller's Office in March, 2010.

SCOPE AND METHODOLOGY

This review was conducted pursuant to the Article IV, Section 404(b) of the City of Pittsburgh Home Rule Charter. Our scope included review of the Bureau's overall cash management practices and the examination of revenue records for the period January 1, 2012 to December 31, 2012.

The objective of this review is to gain an understanding of cash management policies, procedures and related internal controls associated with all fees collected by the Bureau, and to evaluate their adequacy and effectiveness.

Our procedures consist primarily of inquiries, examination of potential evidentiary documents and receipt records for payments collected by the Bureau in 2012. The findings and recommendations presented in this report only pertain to records examined and matters discovered during this review. Specifically we:

- Interviewed Bureau of Animal Care and Control personnel to gain an understanding of the Bureaus' operations, processes and internal controls.
- Reviewed procedures regarding operations of the Bureau and the collection and deposit of payments collected.
- Evaluated adequacy of internal controls over the collection and recording of payments collected by Animal Control Officers and their subsequent deposit.
- Reviewed and evaluated procedures over the issuance of receipts/temporary dog licenses.
- Analyzed statistical data on the total number of licenses, citations and animal pickups for 2012 and 2011.
- Prepared a summary of payments collected in 2012.
- Reconciled Bureau's records of payments collected to the Treasurer's records in 2012.
- Applied procedures to verify deposits for returned traps are actually returned to customers and those forfeited are actually deposited.

Our procedures were performed during June 20, 2013 to June 28, 2013.

OVERVIEW

The Bureau of Animal Care and Control operates under the Department of Public Safety and is responsible for enforcing city and state animal ordinances and for providing assistance to various city departments, and the Allegheny County Health Department with situations involving animals. The Bureau issues temporary dog licenses and provides humane traps (based on availability) to City residents for capturing stray/wild animals for a refundable deposit of \$40 per trap. Citations (paid through the courts) may also be issued for violations of any of the ordinances related to the ownership of pets within the city. The Bureau also provides assistance to the Police and District Attorney's Office in investigations relating to inhumane treatment of animals, and to the Pennsylvania Game Commission in tracking the rabies virus. Other services include:

- Assistance in pet/owner recovery
- Capture and release of wildlife
- Resolution of animal related neighbor dispute
- Quarantine of unsafe animals
- Removal of deceased animals

The Bureau is staffed by two administrative personnel (one supervisor, one clerk), 12 animal control officers (agents) and one driver responsible for dead animals pick up. Agents are available daily to respond to calls received for various animal related issues around the city. The office offers 24 hour service; two shifts Monday through Friday and after hour services for emergency. Incoming calls are logged in a daily log by the administrative staff and agents located at various city locations are dispatched to respond to the calls. While out agents collect payments for temporary dog licenses, deposits for trap rentals and special incidence fees. A Special Incidence fee of \$26 is collected when an animal is to be transported to the Animal Rescue League (ARL) on behalf of a city resident. Acceptable form of payments includes cash, check or money order. A three part manual pre-numbered receipt (also serve as temporary dog license) is issued for all payments received by the agents. Each vehicle used by the agents is equipped with a receipt (license) booklet to be utilized by any agent using that vehicle. One copy is provided to the customer and the two duplicate copies are returned to the office to be filed.

At the end of each shift or after all calls have been addressed, agents turn in their daily activity report and all payments collected to the supervisor. A drop off box is available for payments collected on after "office hour" shifts. Payments are secured in a locked drawer pending transfer to the Treasurer's Office for deposit. There are no policies as to when deposits are to be made; deposits are made when amounts collected are considered significant (average monthly collection in 2012 was \$490). Payments are then delivered to the Treasurer's Office by the supervisor for deposit. All the Bureaus payments are processed through the Treasurer's Office

Cashier and not separately identified on the city's accounting system. A total of \$5,876 was deposited by the Treasurer's Office from the Bureau during 2012 detailed on Table I as follows:

<u>Type</u>	<u>Cash</u>	<u>Checks</u>	<u>Other*</u>	<u>Total</u>
Dog Licenses	\$ 3,601	\$ 1,659	\$ -	\$ 5,260
Special Incidence	26	446	52	524
Forfeited Trap Deposits	-	66	-	66
Other*	-	-	26	26
Total	\$ 3,627	\$ 2,171	\$ 78	\$ 5,876
Percentage	62%	37%	1%	100%

*Type of payment not documented.

The Bureau utilizes two reports to document its activities; the Animal Control Daily Activity Report and the Daily Activity Report. The Animal Control Daily Activity Report is used by agents to record all assignments completed during their shift. The report includes details such as dispatch locations, detail of activity/service performed, time of arrival and departure at each location. The report also provides summary data including the number of licenses sold. The Daily Activity Report is prepared by the administrative staff to summarize daily data on all the agents' daily activity reports. The summarized daily data is used to prepare monthly and annual statistical reports.

REVIEW RESULT

Our procedures disclosed the existence of inadequate practices thereby increasing the risk of misappropriation of funds to occur and not be detected. Also, existing controls are weak and not sufficient to effectively mitigate such risks. The Bureau does not maintain adequate records of payments received, recorded and forwarded to the Treasurer for deposit. Our findings and recommendations discussed in detail below will help the Bureau improve its operations thereby ensuring sound cash management practices.

Finding # 1: Inadequate Record Keeping Practices

The Bureau does not maintain adequate records to support all payments received and deposited. Deposit records such as copies of the receipts, validated deposit slips and validated deposit memos were not always retained. As a result, we were unable to determine total receipts collected during 2012 based on the Bureau's records. Sound internal controls critical for ensuring accountability of assets dictates adequate audit trail be maintained in an organized manner. All source documents that support receipts collected by the Bureau should be properly retained to not only provide evidence of what was collected but also provide support that all receipts were actually delivered to the Treasurer for deposit. This lack of proper and complete audit trail limits the ability to ensure proper accountability over payments collected and their subsequent deposit. Failure to maintain such record also limits the Bureau's ability to ensure proper accounting of payments received by their agents.

Recommendation

Implement procedures necessary to ensure accurate and complete records evidencing all receipts collected are properly recorded and deposited are maintained.

Finding #2: Inadequate Receipt Procedures

Receipts which also serve as temporary dog licenses are not properly accounted for. We noted during our review that receipts are not issued sequentially, duplicate receipts not always retained and unissued receipts were not always properly maintained. Those maintained were not always properly defaced to prevent misuse. All duplicate copies of receipts issued should be retained, and all 3 copies of those unused should be clearly defaced and retained to provide proper trail. Each vehicle is equipped with a receipt booklet and is used by any agent using that vehicle when payments are collected. This practice of multiple agents using the same receipt booklet may have contributed to the problems noted with the receipt procedures. Missing sequence without adequate documentation indicate proper recording of transactions cannot be substantiated.

Recommendation

- Ensure receipts are issued sequentially and duplicate copies retained to provide adequate audit trail.
- Explanations for gaps in sequence should be documented and actual unused receipt retained and defaced.
- Voided receipt should be clearly marked as such and the reason for the void documented.
- All voided receipts should also be properly accounted for and reviewed by the supervisor.

Finding # 3: Checks Not Restrictively Endorsed Upon Receipt

Payments in the form of checks and money orders are not restrictively endorsed upon receipt thereby increasing the risk of misappropriation. All checks and money orders collected by the animal control agents should be endorsed with a "For Deposit Only" stamp indicating the deposit account number. It is not clear why this is not currently practiced by the Bureau but the practice of controlling all receipts immediately upon receipt is part of a sound internal control environment which reduces the potential risk for funds to be diverted.

Recommendations

Coordinate with the Treasurer's office to implement procedure to require all payments in the form of checks or money be endorsed immediately upon receipt.

Finding # 4: Record of Payments Received Not Prepared

Currently there are no records prepared when payments are collected. Although pre-numbered receipts are issued and all payments collected are secured in a locked drawer, sound internal control dictates that a record of all incoming payments (receipts) be prepared immediately upon receipt. This is especially important since checks are not controlled by any proper register device.

Recommendations

Implement policy to require all payments collected each day be recorded in a spreadsheet. The spreadsheet should include information sufficient to identify the payer, receipt/temporary license number and the reason for the payment.

Finding #5: Cash Payments

About 62% of all payments collected by the Bureau are in the form of cash. Although Bureau activities are low volume, low dollar and it may be impractical to eliminate cash payments due to the type of customers served; cash by its nature is susceptible to misappropriation. In order to lower the risk of loss, payments in the form of cash should be at a minimum minimized.

Recommendation

Explore the possibility of eliminating the acceptance of payments in the form of cash.

Finding #6: Lack of Internal Control over Return of Trap Deposit

Auditors were unable to verify refundable deposits for four customers (or \$160) were actually refunded to those whose traps were returned in good condition. Of the 42 traps with cash deposits during 2012, four (or 9.5%) were missing customer signature on the trap rental form to confirm deposits were actually returned to customers. Return of deposits for all returned traps should be verified by having the customer sign off on the trap form as required by established policy. Although our procedures did not reveal any indication of misappropriation and the percentage of occurrence is less than 10%, cash by its nature is susceptible to misappropriation making effective internal controls critical.

Recommendations

Ensure agents follow established procedures for returning trap deposits by having customers sign off on the trap form to verify actual return of the deposit.

Finding #7: Missing/Incorrect Statistical Data

Daily Statistical Reports prepared to summarize data on daily activities performed by the Bureau were often incorrect and contained fields with missing data. Specifically we noted discrepancies in total number of dog licenses sold per Daily Activities Report and the number recorded on Agents' Activity report for the two months as shown on Table II below:

Month	Daily Activity Report	Agents Daily Activity Report	Difference
October, 2012	7	22	-15
December, 2012	20	28	-8
Total	27	50	-23

Other issues noted include:

- Detailed information such as type of payment is not always documented by the Agents.
- Copies of receipts (temporary dog licenses) not always retained and those retained were not always legible.

Recommendation

Establish procedures to ensure greater accuracy in recording and reporting data and legible copies of receipts are maintained.

Finding #8: Reconciliations Not Performed

There are no reconciliations performed to agree payments collected by the Bureau to Treasurer's Records. All payments collected by the Bureau are deposited by the Treasurer's Office through a cashier's window, and therefore not segregated in the city's accounting system. Daily records of payments collected prepared (as recommended per Finding #4) by the Bureau should be reconciled periodically to deposit records such as validated deposit slip/deposit memo by someone other than the person making the deposit. Although payments processed by the Bureau are low volume, low dollar, 62% of total payments in 2012 were in the form of cash. Performing periodic reconciliations is a good management control practice to ensure accuracy and allow for early detection of errors and/or irregularities.

Recommendation

Periodically reconcile bureau records of payments collected to validated deposit records from the Treasurer's Office.

Finding #9: Utilization of Mobile Payment Devices

Our findings noted on this report relating to the Bureau's current cash management practices of inadequate receipt procedures and weak internal controls may be significantly reduced by the implementation of a mobile payment processing system such as the "*Mobilescape 5000*" capable of processing payments instantly and issuing receipts on the spot. Usage of such a device will allow the Bureau to accept credit/debit card payments, provide enhanced assurance that all monies collected on behalf of the city have been properly reported and recorded, increased efficiency by eliminating paper receipts and the need for a separate deposit process.

Recommendation

Explore the possibility of equipping agents or at a minimum each vehicle used by the agents with a mobile payment device capable of processing payments in the form of both check/money order and debit/credit instantly and issuing receipts on the spot.

Finding #10: Periodic Review

There is no independent review of the Bureau activities. Periodic review serves as an important internal control providing independent verification that transactions have been properly recorded, records are accurate and adequate internal controls are in place based on established professional standards.

Recommendation

As discussed with the Bureau management, the Controller's office will implement procedures to conduct such periodic reviews of the Bureau's operations.



CITY OF PITTSBURGH

"America's Most Livable City"

Department of Public Safety

Luke Ravenstahl, Mayor

Michael H. Huss, Director

September 30, 2013

The recommendations made are received and will be used to motivate an update for record keeping although the automation of and the recommendations concerning cash does not reflect the realities of many City residents. Those recommendations would prevent those residents from receiving services.

The finances brought in by this department may be relatively low compared to other departments but are high considering the actual costs of a City license, the rarity of trap deposit forfeitures and Special Incidents. This report points out that in spite of the risk of misappropriation of funds there has not been any fund's misappropriated. According to this report all residents have been served and satisfied thus making this department trustworthy.

Again, all recommendations that will enhance this department are welcomed.

Gerald D Akrie
Supervisor Animal Care and Control

cc: Michael Huss Director of Public Safety
Stephanie Eggar Law Department
Joe Rossi Teamster President