


Strengthening the Control Environment to Maximize Effectiveness

June 15, 2017




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Background: County of Los Angeles


- ▶ County of Los Angeles budget ≈ \$30 billion
 - ≈ 105,000 employees
- ▶ 36 Departments
 - Animal Care & Control
 - \$48.6 million (0.16%)
 - 441 budgeted positions (0.42%)



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Background : Department of Auditor–Controller

- ▶ Auditor–Controller ≈ 624
 - 624 budgeted employees
 - \$45.2 million gross appropriation
- ▶ Audit Division
 - 60 budgeted employees
 - 145 total audit–like staff including Contract Monitoring and Investigations



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My background:

- ▶ 14 years as an auditor
 - Two years—each acting as a fiscal manager, and on an I.T. implementation team
 - DHS, I.T., Management Audits
- ▶ 12 years with Probation
 - 2 years—each managing juvenile halls and camps
 - 6 ½ years as Administrative Deputy
- ▶ 7 years back with the A-C
 - Systems, Investigations, Auditing

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Auditing profession

The 2nd biggest lie in the auditing profession.



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Audit Division – what we do

- ▶ Scope: County departments and affiliated agencies
- ▶ Risk-based **audit plan**. **What risk attributes?**
- ▶ Operational, management, and fiscal services **audits**
- ▶ Special studies, & Board-ordered reviews
- ▶ Establish **internal control** standards
- ▶ Periodic **departmental self-assessment** process

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Audit Division - what we do

Continued

- ▶ Financial **procedures and controls**
- ▶ **Management** Structure & organization
- ▶ Program **effectiveness**
- ▶ Computer **system integrity** & security
- ▶ **Cost effectiveness** studies

...to enhance the delivery of effective and caring services to the public.

...elevating public trust...

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If you don't know where you're going, you might wind up someplace else. (Yogi Berra)

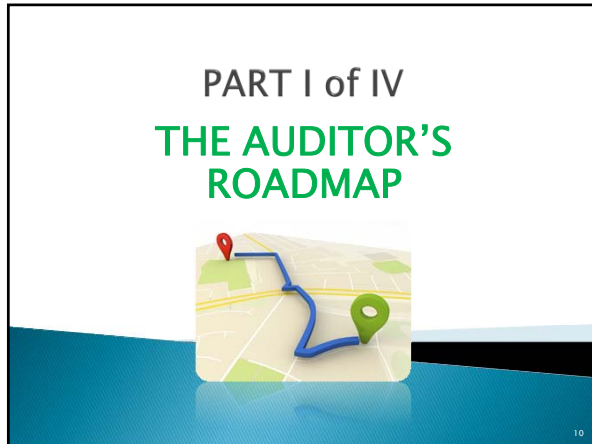
WHAT ARE WE GOING TO
CHAT ABOUT TODAY?

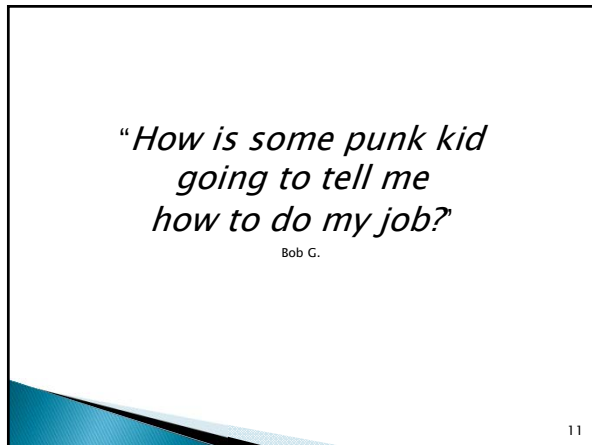
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TODAY'S TOPICS

- ▶ **PART I:** The **auditor's roadmap** that leads to control findings and process improvement
- ▶ **PART II:** Relating controls to the real world – **actual findings** from across the nation
- ▶ **PART III:** Technology and **emerging risks**
- ▶ **PART IV:** **Next steps** – what leaders should be doing – solutions & best practices

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The Auditor's Roadmap

What we ask for:

- ▶ Multi-year budget results
- ▶ Organization chart
- ▶ List of locations
- ▶ Prior audit reports
- ▶ Policies and procedures
- ▶ Regulations
- ▶ Tasks and standards
- ▶ Representation letter to staff
- ▶ Complaints
- ▶ List of key stakeholders/constituents

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Internal Controls –

What does this have to do with me?

- ▶ Reputational risk
 - Effective stewards of scarce public resources
 - Enhanced integrity during competitive budget process

INTERNAL CONTROL: A system designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

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The Auditor's Roadmap

- ▶ Typical audit steps:
 - Preliminary Survey
 - Org charts
 - Prior audit findings, fines, regulatory reports
 - Related audit findings
 - Procedures, policies
 - Emerging/hot issues
 - Leadership's expectations
 - What matters most – core services
 - Fieldwork on key control concerns

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Auditor's fieldwork

- ▶ Fieldwork
 - Key control concerns
 - Core operations/services
 - Sampling
 - Comparison to standards
 - Documentation
 - Interviews
 - How things are vs. how they should be
 - Opportunities to improve
 - Emerging best practices

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What's an auditor to do?

▶ Losing three kids in the middle of the night

- "You never let a serious crisis go to waste. And what I mean by that it's an opportunity to do things you think you could not do before."
 - Rahm Emanuel

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PART II of IV ACTUAL AUDIT FINDINGS



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Audit findings Controlled Substances

- ▶ 101 Lack of effective oversight and controls over controlled substances:
 - **Inventory** control discrepancies
 - Need automated **perpetual inventory** system of controlled substances, and to monitor expiration dates
 - **Inaccurate dispensing volume** at point of service
 - Substances beyond **expiration dates**
 - Improperly stored vaccines/substances (**temperatures**), and need daily compliance sign-off

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Audit findings: Medication and Medical Supplies

- ▶ 100 **Segregation of duties** – requesting, receiving, recording, inventory counts of drugs
- ▶ 100 Controlled substances not **handled per DEA guidelines**
- ▶ 100 Need **back-up generator**
- ▶ 400 Inventory of medication and medical supplies is not taken.
- ▶ 400 Proper controls not in place to **safeguard medication** and medical supplies
- ▶ 700 **Lunch in refrigerator** with medications/vaccines

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Audit Findings: License fee collections impact service delivery

- ▶ 200 **License fees 1.4% of expected animals** given community size (per Nat. Council on Pet Population Study and Policy)
 - Lost revenue
 - Impacts service delivery volume
- ▶ **Euthanasia rates increased** while adoptions, return-to-owner, and transfers decreased.
 - Need to increase license fee collection to enhance returns to families.

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**Audit Findings:
Service calls – Excessive overtime**

- 200 Only 31% of **service calls responded to within policy.**
 - Potentially jeopardizes health and safety
- 200 Excessive overtime
 - **Documentation doesn't support O.T. claimed**
 - If **EB rate less than O.T.** rate, then it may be cost effective to hire another officer.

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**Audit Findings
Staffing**

- 100 **Not using existing electronic timekeeping –** marking “**present**” rather than **actual hours** worked.
 - Risks Labor Dept. fine, and/or DOJ enforcement litigation.
- 600 Opportunities to reduce expenditures through **more efficient staffing of animal control officers and shelter staff.**

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**Audit findings:
Fees not consistently applied**

- 400 Staff **not consistently charging \$5 transfer fee** as animals move between shelters
- 550 Field staff **waiving relinquishment fees** without documenting supervisor’s approval
- 550 **Senior rate** not documented in the field
- 550 **Penalties waived** in the field

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**Audit Findings
Shelter Conditions**

- 101 Physical **condition of shelters:**
 - HVAC for isolation rooms shared by healthy animals
 - Fire alarms
 - Peeling paint can drop in dog bowls
 - Pets in cages in hallways



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**Audit Findings
Shelter Safety**

- 700 **Comprehensive safety and health program** addressing workplace hazard-specific P&Ps
 - Safety and health policy **signage**
 - Regular **safety meetings**
 - Documented general **inspection**
 - Incident tracking and in-depth investigation and **corrective action**
 - Personal protective equipment** applicable to the work to be done

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**Audit Findings
Financial related controls**

- 100 Use of corporate **credit cards** – purchases with questionable business need
 - Not paying credit card expenses **on time**
 - Not following established procurement policies
 - No inventory of purchases (dog food, et al), **inventory, re-order points, shrinkage**, etc.
 - Some items convertible to personal use/sale
 - Leasing office space in **high rent areas**

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Audit Findings Financial related controls

- 200, 975 Funds deposited every two weeks
 - Neither field officers nor finance section kept **documentation to support amount of deposit.**
- 100 Insufficient **oversight controls over fiscal manager** – access to bank account, reconciles, withdraws (separation of duties)
- 700 “...casual nature to the funds being received...”
- 975 **Sales not reconciled to deposits.**
- 550 Collections not reconciled to **system input.**

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Audit Findings Receipts (slide 1 of 2)

- 550 Receipts for fees collected in the field not reconciled to deposit amounts, or assured that **each receipt ties to a deposit.**
 - Manual receipts not reconciled to database, & **data entry average 11 days after** receipt of cash
 - No control logs for receipt books – **who has each receipt book?**
 - No one reviews manual receipt books to **account for every receipt.**
 - All copies of **voided receipts** not kept, reasons documented, supervisor initials.

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Audit Findings Receipts (slide 2 of 2)

- 550 Receipts not used sequentially
- No anchor copies of receipts kept in books
- Client given carbon rather than original receipt
- Payment via mail not opened by two, no one reconciles to ensure they get deposited.
- **No one conducts daily reconciliations by comparing amounts on hand to all methods of collection**
- No sign reminding customers to **ask for a receipt**⁷⁰⁰
- No reconciliation or receipts to Treasury deposits



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Audit Findings Cash safeguards

- 550 Personal belongings (purse) kept in cash drawer/safe.
 - Safe or cash drawer left unlocked or with key in keyhole
 - Access to cashiering area not restricted
 - Safe combinations not changed regularly, and when someone leaves
 - Mailbox where payments received is not secure
 - Shared user log-on to cashiering terminal
 - Cash boxes in safe with box keys, safe unlocked, and no restriction of foot traffic.

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Audit Findings Licensure

- 975 No periodic physical **inventory of license tags** - no comparison of inventory to issuances and related collections.
- 975 **Only one license fee renewal reminder** sent
- 975 Customers mischarged



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Audit Findings Licensure

- 600 Licensure is redundant to other public health regulations, and is ineffective.
 - Does not independently contribute to PH protection
 - Vast majority of pet owners ignore
 - **Purpose of licensure** (reunify) accomplished more effectively through **alternate means (microchip and rabies identification tags)**.
 - Recommend making optional to preserve ID and help offset revenue loss.

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Audit Findings

Other areas:

- ▶ **Collections sitting in trust** funds that should already have been recognized as revenue
- ▶ Decisions to **utilize donation** trust funds case-by-case, w/o coordination, possibly **dependent on a Commission's** slow pace
- ▶ **Grant funds** sitting in trust not **recognized as earned revenue**
- ▶ **Billing rates not recovering full cost**
- ▶ **Slow invoicing**, no reconciliation of service provision to invoice

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Audit Findings

Field Officers:

- 700 Field officers required to pick up their service **vehicle at a main-office** location, at times far from patrol service area.
- 700 No formal evaluation process to **verify training adequate** to perform field duties.
- 700 **Dispatch personnel conclude their workday before field officers.**
- 700 Animal Control's **dispatch software incompatible**, necessitating double data entry.
- 700 Entering private **property w/o owners' consent.**

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Audit Findings

Field Officers:


- 700 Inadequate support staff to assist field officers w/ legal and daily paperwork
- 700 Limited or no computers in vehicles
- 700 Pre-rabies staff vaccinations not provided



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PetPoint (900)
(Chameleon is another commonly used technology)

- ▶ Not fully **utilizing the functionality** of PetPoint animal management system.
 - **Recording controlled substance** usage by container number
 - **Generate receipts** for services (adoptions, reclaims, licenses, etc.) – hampers reconciliation to revenue to services



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PetPoint (900) (continued)

- ▶ Not fully **utilizing the functionality of PetPoint** animal management system.
 - Not consistently recording **waived impound fees**
 - **Inaccurate** bite history, altered animal, animal weight, microchip install, spay/neuter vouchers entered rather than system generated result in manual tracking

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Audit Findings
Contract City Services:

- 700 Calculate a different (higher) **rate for cities** that collect a license fee because the cities' fees decrease the County's revenue base.
- 700 Account for coincidental proximity of cities to a County Animal Care facility (mileage/time).
- ▶ Ensure **cost allocation plan recovers all applicable costs** within billing rates.

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PART III of IV

EMERGING RISKS/ISSUES



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Emerging Issues

- ▶ Technology
 - BYOD
 - Phishing
 - Hacking



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Emerging Issues

- ▶ Medication Audits
 - New administration - will there be a new emphasis on controlled substance audits?
- ▶ Community pressures
 - Euthanasia, care standards, aggressive animals

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PART IV of IV
NEXT STEPS:
Solutions
Recommendations
Best Practices



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Solutions
Utilize automation in the field:

- ▶ Seek an automated solution for field staff data entry (**hand held or vehicle mounted computer**) to avoid manual field paperwork and end-of-day data entry.
 - Avoids double-recording process, which halves your chance of error
 - More timely
 - Reconcile field activity to deposits, and get timely workload statistics for trend-based redeployment of resources

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Best Practices
Ask for an audit

- ▶ Ask your Auditor for an audit
 - Cash handling procedures
 - Field collections, receipting, deposits
 - Separation of duties
 - Fee waivers
 - Bank account reconciliations
 - All receipts sequential, linked to deposit
 - Client case reflects payments
 - Collections not idle in trust account

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Best Practices
Revenue Enhancement Ideas

- 600 Voluntary pet registration (instead of licensure), with incentives for registration:
 - limiting use of off-leach dog park,
 - low/no cost spay & neuter,
 - dedicated city fund so registrations go back to animal care
 - Re-calibrate boarding fees to ensure full cost recovery cost
 - Adjust adoption rates (to the extent practical)

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Best Practices
Revenue Enhancement Ideas

- ▶ Clarify policies for fee waivers to ensure uniformity and normalize collections.
- ▶ Fund raisers that guarantee no General Fund supplanting
 - Greater flexibility in program management (restricted funds)
- ▶ Special License Plates - revenue to restricted fund for animal care services
- ▶ Sponsorships - vehicle wraps

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Best Practices
Annual Report

- ▶ Produce an Annual Report to celebrate your achievements:
 - Multi-year performance measures
 - Benchmark against comparable entities (best practices)
 - License revenue, field coverage
 - Adoption rates, Returned pets
 - Calls for field response
 - Response times & resolutions
 - Fees collected, grants applied for/received, revenue compared to net-agency cost

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Strategic Plan – Are you achieving your mission?



- ▶ GOALS: ⁹⁰⁰
 - Customer service enhancements
 - Call dispatch timelines
 - Licensing as a percentage of population
 - Spay/neuter services provided
 - % of entering animals spay/neuter and w/ ID
 - Encouraging responsible pet ownership
 - Euthanasia, live placement, return to owner
 - Grants and private fundraising
 - Volunteer leveraging
 - Consider hiring a development officer for fundraising, and increasing volunteer hours

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Share your successes ⁽⁹⁰⁰⁾

- ▶ Publish comparison to goals on your agency's website, and within agency newsletters
- ▶ Benchmark against:
 - National Council on Pet Population
 - National Animal Control Association
 - Comparable and/or neighboring agencies
- Benchmarking and measurement against G&Os identifies progress, and can strengthen justification for unmet resource needs.

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Audit Solutions Expenditure Reduction Ideas

- ▶ ⁶⁰⁰ Staff based on seasonal workload changes.
- ▶ ^{rs} Hire additional staff if your EB rates are less than your O.T. rate.
- ▶ ^{rs} Vehicle maintenance does not exceed manufacturer's recommendations.
- ▶ ^{rs} Field calls planned using most efficient route.

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Best practices (some required practices)

Medication management



- Lock boxes with two key system
- Safe storage overnight
- One vile at a time
- Separate log per medication, spiral bound
 - Track each dose/use, sign-off
- Sequentially label each bottle
- Limit order quantities based on typical use
- Alarms, surveillance cameras
- Periodic (independent) inventories
- Use the DEA audit tool as a self-guide
- Ask you're A-C to conduct a DEA-type audit

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Best practices

(some required, some recommended practices)

Medication management – *continued*

- Date drug was dispensed/administered
- Dosage amount
- Total on-hand after each use
- Name of person utilizing the drug
- Species, breed, ID, and weight of animal involved
- Route administered

- Are you testing for heartworm, and feline leukemia?
- Partner with a university program. (500)

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Best Practices

Hotlines



- ▶ Establish an **animal care hotline**:
 - Anonymous calls about animal neglect.
 - Follow-up to ensure resolution of all calls.
 - Hotline on vehicles (e.g., bumpers, door panels)

- ▶ Does your County have a **fraud hotline**?
 - If so, print the hotline number on animal license documents, receipts, other literature provided to community members.
 - Post hotline(s) numbers in offices.

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BEST PRACTICES

Early Disposition Program

- 700 **Early disposition** program for citations:
 - Complete \$40 one-hour course, and have the citation dismissed.
 - Ensure the fee covers citation and cost of course.
 - Ensure adequate P&Ps to ensure equitable access.
 - Avoids the uncertain outcome of a hearing.
 - Reduces field officers' time waiting for the hearing.
- May require regulatory/legislative changes

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Animal Adoption Opportunities

Weblinks

- ▶ Link to [pet adoption services](#) is prominent on your website.
- ▶ Pet adoption weblink prominent on your parent-agency's website.
- ▶ Utilize re-purposed motorhomes for mobile pet adoption.



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Maximize Adoption Opportunities

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- ▶ Host mobile adoptions in high traffic areas, community events (fairs, parades, etc.)
- ▶ Partner with community-based volunteers, and with pet supply retailers



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Maximize Adoption Opportunities

(Continued) (900)

- ▶ Use mobile events as solicitation for:
 - future volunteers at shelters and adoption events,
 - distribute responsible pet owner literature,
 - promote the city/county/entity, promote related non-profits/
 - Promote adoptions in city literature, websites, on employee and vendor check stubs, on client receipts, posters, cable channels.
- ▶ Some concerns about “impulse adoptions” – need adoption counselors on site

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Other potential improvement ideas:

- Utilize enterprise phone system to gather stats about incoming calls as a management tool. (900)
 - Wait times / call volume
 - Dropped calls



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Other potential improvement ideas:

- Surveys:
 - Employee survey – morale enhancement only if acted upon
 - Anonymous comment boxes
 - Customer satisfaction survey
 - Adoptions
 - Field services



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Strengthen budget requests

- ▶ Benchmark against comparable entities (best practices)
- ▶ Record hours, including kennel, field services, etc., by function
 - Use these hours to assess service levels
 - Kennel cleaning hours
 - Average dispatch response time v. calls for service v. average service timeframe.
 - Can you realistically address service calls with existing resources?
- ▶ An audit recommendation can be a solid justification for unmet needs

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Policies and Procedures:

- ▶ Do you have policies and procedures?
- ▶ P&P could address issues of donation trust funds underutilized because of bureaucracy or dependency on Commission timelines



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Continuous staff skill reinforcement and clarity of expectations

- ▶ Regular trainings? Briefings?
- ▶ Staff at all levels understand the mission and priority goals?
- ▶ Reinforce core values?
- ▶ Effective performance expectations, and regular coaching and evaluations?

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Internal Controls

Management is ultimately responsible for the system of internal controls.

- ▶ Does management test for compliance?

Don't expect what you don't inspect.



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Questions?

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