



**Clerk of the Circuit Court
Board of County Commissioners
Marion County**

Internal Audit Division

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The Honorable Board of County Commissioners

RE: AUDIT REPORT-SPECIAL REVIEW OF THE ANIMAL CENTER
CASH COLLECTION CONTROLS AND PROCEDURES

Pursuant to the request of the Code Enforcement Director, the Internal Audit Division has performed a special review of the Marion County Animal Center's operations. This review was focused on cash collection controls and procedures, which included safeguarding methods in use.

Our review involved an examination of pertinent documents, interviews of Animal Center staff and management, and observations of procedures and employee activities. We concentrated on the system of internal controls and procedures over cash collections, the safeguarding of cash and the security of the Animal Center facility. As a result, we have some recommendations which should enhance controls over the cash and cash-related activities, as well as facility security. Management's responses and comments are included. Since we did not review all operations of the Animal Center, our findings and recommendations discussed in this report pertain only to the areas under review.

We would like to express our appreciation to the Code Enforcement Director and the staff of the Code Enforcement Department and the Animal Center for their assistance and cooperation during this review.

David R. Ellspermann
Clerk of the Circuit Court

Wallace K. Watford
Internal Auditor

c: James L. Lowry, County Administrator
James R. Limbaugh, Code Enforcement Director
Janet Y. Tutt, Assistant County Administrator

DEPARTMENT SUMMARY

The following information pertaining to the Marion County Animal Center should provide the reader with departmental background in order to better evaluate this report.

For the last two fiscal years, the Animal Center (department #5170) has been an operating unit of and managed by the Code Enforcement Department (#3440). The Animal Center's results of operations are reported to the Code Enforcement Director. The Animal Center is funded by the General Fund. The total expenditure budget adopted for fiscal year 1998-99 is \$866,034, consisting of \$631,034 in salaries, benefits and other operating expenses and \$235,000 in capital and non-operating expenditures. Fourteen full-time employees are currently authorized, but at present there are ten employees on the payroll.

The following department description was extracted from the fiscal year 1998-99 Proposed Budget, as prepared from information submitted to the Clerk's Budget Division.

The Marion County Animal Center is the countywide receiving facility for the overwhelming number of stray, unwanted, diseased, abandoned, and feral domestic pets, as well as a facility for quarantine and the specimen preparation center for animals suspected of being rabid. The Animal Center provides temporary housing and care for these displaced animals where pets can be adopted, rescued, or redeemed by their owners. It also serves as the central distribution facility for the county's animal licensing program in compliance with local ordinances.

Among the Animal Center's goals are to: a) provide low-cost veterinarian services for spaying and neutering pets, thereby reducing the number of animals euthanized each year; b) reduce rabies and other contagious disease by providing vaccinations for pets at low or no cost to citizens; c) provide a clean facility that is staffed with knowledgeable and well-trained personnel.

The following revenues are earned by the Animal Center:

<u>Account</u>	<u>Account Description</u>	<u>Actual 1996-97</u>	<u>Actual 1997-98</u>	<u>Budget 1998-99</u>
001-34640010	Fees - Animal Licenses	\$99,170	\$95,658	\$95,000
001-34640020	Fees - Animal Redemption	27,254	29,442	35,000
001-34640030	Fees - Animal Adoption	23,480	47,648	40,000
001-34640040	Fees - Animal Rabies Exam	2,251	535	1,000
001-34640070	Fees - Mobile Vet Clinic	0	0	97,900
001-34640080	Fees - Animal Veterinary	31,192	23,227	23,000
001-34640090	Fees - Animal Removal	<u>8,206</u>	<u>8,581</u>	<u>6,000</u>
	TOTALS	\$191,553	\$205,091	\$297,900

BACKGROUND

The Code Enforcement Director requested that the Internal Auditor review the cash collection procedures and controls of the Animal Center (Center). This followed the discovery by Center staff that one day's cash receipts, in the amount of **\$876.00**, was missing and presumed stolen. The Director promptly reported the incident to the Sheriff's Office and to the Clerk's Finance and Accounting Division. A brief summary of the known condition follows.

The Center is open to the public during the hours of 10:00 a.m. until 5:30 p.m. six days a week. Employees begin work by 8:00 a.m. to care for the animals and perform other tasks. The Center relies upon the work of several unpaid civilian volunteers, as well as many individuals performing court-ordered community service.

It is general practice to keep the cash receipts derived from Friday and Saturday operations secured on site until the following Monday. Cash receipts are picked up by the contracted security service every week day morning for transport to the Clerk's Finance and Accounting Division.

On December 7, 1998 (Monday), the cash receipts and revenue transaction forms resulting from the December 4th (Friday) Center operations could not be found. The money and forms had been placed in a locked bank bag and stored in the usual secured location when the Center closed that evening. This loss, consisting of \$670.00 in cash and \$206.00 in checks, was discovered by an employee who had returned from vacation and had not been involved in the cash collections for those days.

There were no signs of forced entry. The cash receipts and revenue transactions from December 5th (Saturday) were found in the usual secured location and were intact. The Center had been open for normal hours on Saturday and no employee could specifically recall seeing the locked bank bag during that day. As usual, three employees were on duty that Saturday to operate the Center and supervise several community service workers and a few citizen volunteers. One employee remembered seeing a bank bag (there are four assigned to the Center) precisely where the missing bag was supposed to have been. This was at 10 a.m. when the Center opened to the public. She could not remember if it appeared full or empty. It can be reasonably presumed that the bank bag seen was in fact the bag with the receipts. If this is the case, then the theft occurred sometime after 10 a.m. on Saturday and before the Center opened on Monday.

FINDINGS AND OBSERVATIONS

Each of the following findings and observations came to our attention during the examination of the Animal Center performed at the request of the Code Enforcement Director. The investigation of this matter by the Sheriff's Office has not been completed; therefore, some details of our activities have not been included in this report.

I. CASH CONTROLS AND PROCEDURES

A. Cash Controls and Procedures-Management Policy

From conversations with department management and staff, it appears the current procedures and controls have consistently improved over the past two years since the Animal Center was consolidated into the Code Enforcement Department. At the time of the presumed theft, the following cash controls and procedures were in effect. These had last been updated in September 1998 and communicated to Center staff as management policy. Each employee interviewed acknowledged that these procedures had been clearly stated by management.

One employee has been specifically assigned responsibility for the accuracy of revenues and cash collected. This “cashier” employee is the only one authorized to accept payments from the public and place or remove cash from the cash drawer. The cashier is relieved by another employee for lunch and other breaks.

At the end of the work day, the cash receipts and revenues are reconciled to ensure all have been properly accounted for and recorded. The cash and forms are placed in a locked storage room. On the following work day, the cash is removed, recounted and reported on the designated forms for official cash and revenue recording. The cash and forms are placed in a locked bank bag in preparation for pick up by the security service for transport to the Clerk’s Finance and Accounting Division. The center maintains an opening change fund of \$200.00 in order to facilitate cash transactions with the public. This fund is kept in two cash boxes of \$100.00 each which are kept in the locked storage room when not in use.

Management implemented these procedures in order to reduce the number of occurrences and types of errors that often occurred previously. The Clerk’s Finance and Accounting Division confirmed to us that such errors have been considerably reduced since October 1998.

To protect the employee and cash, the cashier is separated from both the public and staff operations in an office secured by a locked door. Transactions with the public are conducted through a sliding glass window “pass-through.”

Management’s stated policy is that the office door and the storage room door are to be locked at all times. An employee is always to be at the front counter during opening hours to serve the public and ensure the premises are secure. Community service workers are not supposed to be inside the building, especially around the cash collection area, without close staff supervision. Further, civilian volunteers are to wait in the public receiving room when not assisting the public or staff and not wander around the facility unsupervised.

B. Cash Controls and Procedures-Observed Practice

We found the preceding cash controls and procedures, as prescribed by management, to be adequately sound for the Center's operations and staffing methods. However, from our observations and staff interviews, we noted that management's policy was not consistently followed in some important respects. These instances would not necessarily have caused the alleged theft, but could have contributed, and do indicate the need for greater attention to policy and physical security.

During the work day the cash box is open and maintained inside the desk drawer of the cashier's desk, which does not have a lock. The cashier's office door and the storage room have spring locks, but not dead bolts, that open with a key. However, access to both rooms is often required by other staff members, who routinely use another office door key to gain access. In addition, the employees who work on Saturdays have access to keys that unlock both doors. Also, both rooms are accessed after hours by the cleaning staff. We also noted the door lock of the interior storage room accepts the same key as that used by another exterior door used by some employees. Further, we were informed that many former employees know where the interior keys are kept and also still have keys to the employee entrance doors which have not been re-keyed.

Keys are not always required for access. The office and storage room doors are often not locked when an employee is inside the cashier's office. In some instances, we observed that the office door was left ajar or kept open in order to provide quick access to the office when there was considerable public business. But we found the most frequent cause was the office door did not close and latch securely and would swing open on its own, even when locked.

II. CENTER STAFFING LEVELS

According to the fiscal year 1998-99 Approved Budget, the Center has fourteen authorized personnel. At present there is an actual staffing level of ten employees. Conversations with management indicate that this is an inadequate number of staff for a six day, full-time operation, which may result in over reliance upon community service workers whose work must be constantly monitored by staff.

Our review provided no basis for determining the optimum staffing level, but we believe that some consideration should be given to this issue. During the week day operations, the Center is usually staffed with seven personnel. These employees care for the animals, maintain the facility, service the public, supervise the civilian volunteers and monitor the community service workers.

A significant concern is the staffing for the Saturday operations. The same level of work and services are often performed, but only three employees are on duty. This can result in a breakdown of management control policies. In particular, all three employees often must enter the locked office and storage room, accept cash payments and give receipts to the public, reconcile the cash received,

secure the cash until the following Monday and then lock all interior and exterior doors. This must be done in addition to assigning and monitoring volunteers and community service workers.

III. FACILITY SECURITY

The Center is located next to the Baseline Landfill and consists of an administrative building and the animal compound. It is surrounded and partitioned by six foot chain link security fencing, topped with three strands of barbed wire. There are two entrances: one for employee parking, which shares a driveway with the landfill; one for public parking, which is separated by a gate from the employee entrance. There is no specific night time security for the Center, but the security guard at the Landfill periodically drives around the perimeter of the Center. It does not appear that this is a required duty of the guard, but the Center property is in close proximity to the Landfill.

There have been other recent incidents which indicate that improvements in Center security are warranted. Of particular concern is an incident that occurred over the recent Christmas holiday. An outside fence was cut, presumably during the night, and a dangerous dog was removed from the compound. The unauthorized release of any quarantined animal is a potentially serious public safety issue. This was reported to law enforcement when discovered. This was not observed by the Landfill security guard while the break-in was in progress. According to conversations with the guard by Center management, the guard does not have a firearm, a radio or a cellular telephone. Instead, if the guard observes anything suspicious, he must return to the guard station and use the land line telephone. This could take too much time to prevent a burglary or vandalism already in progress.

On the Monday morning following the Christmas holiday, two unauthorized individuals accessed the building before the Center opened to the public. These two had business concerning their animal to transact, but did not wait until the Center opened. Instead, they drove into the employee entrance gate to the parking lot, then entered the building using the employee entrance door. The employees were tending to the animals and other business and did not notice the unauthorized individuals, who surprised the cashier while she was counting cash. The cashier stated that she felt threatened by the intruders. The incident was handled by the Director, but does indicate that employee security can be further addressed.

In order to facilitate quick employee arrivals and departures, the employee gate is opened in the morning and remains open throughout the work day. This gate is also use by community service workers and volunteers. There is no prevention of the public using the employee gate. Employees gain access to the building through a designated door. This door is unlocked in the morning and remains unlocked throughout the work day. There is nothing preventing the public from using the employee entrance door.

ANIMAL CENTER SPECIAL REVIEW

During interviews with Center staff, we were informed that employees, including animal control officers, often must enter the compound after hours and on Sunday. It is not unusual for them to close the gate but leave it unlocked behind them while on the premises. When leaving, the gate is supposed to be closed and locked. Good security practice would indicate that the gate be closed and locked at all times when employees are on site after hours. There is an indication that this gate was not locked when the custodial staff arrived on the evening of December 4th.

The Code Enforcement Director has expressed his concerns about these matters and is presently looking into improving security. Consideration is being given to acquiring an electronic gate that requires a security code and automatically closes and locks after being opened.

The Director toured the facility with the Internal Auditor, who inquired about the safeguarding of controlled drugs and related supplies, such as needles, that are maintained and authorized only for veterinarian and euthanasia purposes. These drugs are quite valuable and can be dangerous if not used properly. We therefore consider their security to be a public safety issue. We were informed that there had been a previous burglary in which the perpetrators had “jimmied” an exterior supply room door to gain access. This room held some drugs and supplies, but fortunately was not the room containing the most powerful and dangerous drugs. There were no dead bolt locks on the doors protecting the drug rooms, nor were there metal plates or other obstacles to prevent the use of a crowbar or other device which may be used to force open the doors.

CONCLUSIONS

It appears that Center management has shown sufficient attention to sound internal controls. In general, we found that the existing cash collection procedures and controls are adequate. Based on our observations and examination, we suggest that further enhancements can be made. Management has already implemented or is considering enhancements with which we concur.

We also found that the existing facility security features and procedures are adequate, but could be further strengthened. We have identified additional areas that warrant attention and Center management has proposed some enhancements with which we concur.

As to the missing and presumed stolen money, our review was not intended to determine the cause or identify who committed the theft. However, we have found no evidence of any employee being involved in the theft. Further, based on our observations and interviews with staff and management, we do have the following speculation as to the manner and method of such theft.

Absent the result of the Sheriff’s Office investigation, we believe that probably the theft was a crime of opportunity assisted by a combination of control breakdowns. Because there were no signs of forced entry, the theft most likely occurred on Saturday, December 5th, during the work day. That day appeared to have a high volume of public activity and was staffed with only three employees. One of the employees was new and had never before worked on a Saturday. These three employees

had to monitor the activities of three civilian volunteers and eight community service workers. It was reported that one of the community service workers was particularly difficult to supervise.

Because of the business activity on that Saturday, it is quite probable that the office door was not locked or latched at all times. Again, this is speculation based on our observations and interviews. The attention of the three employees was spread over a number of duties and one could not have been in the cashier's office at all times. The interior storage door was probably unlocked and could have even been open. The money was stored in the storage room inside a bank bag, which can be a good indicator that something valuable is inside. It appears to us that it would not take too long for someone to ascertain the potential weaknesses and would take less than a minute to grab and conceal the bank bag.

RECOMMENDATIONS

Because we found the existing cash collection procedures to be generally adequate, we have not tried to refine any financial recording procedures. This is especially true because there are existing plans for significant changes to the Center's financial system would affect those recommendations. These changes include a new system (both hardware and software) which will allow any staff member to computer-prepare invoices, forms and customer receipts, thereby allowing the cashier to accept payments and further process the transactions. We will be pleased to review this new system and make any appropriate recommendations if so requested.

Our suggestions for enhancing cash controls and procedures principally pertain to the safeguarding of cash, the safety of employees and the security of the facility and its contents. Many of these recommendations have little associated costs, but a few could be quite expensive. We recognize that management must decide which is the most cost-effective solution based upon probable exposure, but we believe that public safety concerns may require more expensive alternatives.

We recommend that management revise and reissue in written form its policies concerning cash collection and safeguarding. Particular emphasis should be placed on maintaining a closed, locked or otherwise secured cash facility and ensuring that the front desk is always manned to the extent practicable.

We recommend that other cash security features be devised or acquired. Management has already instituted an interim procedural change with which we concur. The normal cashier will secure the cash in the storage room inside of a locked cabinet with keys limited. On Saturdays and other days that the normal cashier is not on duty, management will assign an "acting" cashier who will store the day's cash receipts in another locked cabinet which is not in the storage room. Management will give the cabinet key to this employee only when the cashier duties are assigned. This key will be returned promptly to management following completion of the duties. These procedures could be further facilitated with a drop safe which would be affixed within the locked storage room. Individual employees, particularly over the weekend, could be assigned separate keys to access and

store the cash in a separate compartment within the safe. No employee would be able to access the cash of another employee. This would maintain security and independent accountability of cash by each employee.

We recommend that the cashier's office be further secured. At present, the cash box is maintained inside of the cashier's desk throughout the day. This desk does not have a lock. It seems appropriate that a locking mechanism be installed on the desk to further secure the cash should the office be breached during the work day. Also, the office has a sliding glass window "pass-through" to the public area that does not lock and could be used for unauthorized access. We believe that, at a minimum, a locking device should be installed. Consideration should be given to replacing the sliding glass with a plexiglass plate with an opening for handling transactions with the public.

In addition, access to the cashier's office should be further restricted and secured. Employees now enter the office in order to get the key to the Center's truck and to gain access to the storage room for supplies. Management is in process of limiting the reasons for such employee access.

There must be attention focused on keeping the cashier's office door closed and locked. The door should not be left ajar. At the minimum, the door's locking and latching mechanisms must be replaced with a deadbolt lock. Further, a "mail slot" type opening could be cut into the office door or wall to allow staff members to pass paperwork and forms to and from the cashier without opening the door. Management should also consider the benefits of installing a manual lock with a keypad for an entrance code which could be changed at any time. A more expensive alternative could be an electronic lock with a keypad or with a magnetic encoded "card swipe."

We recommend that all important security doors have appropriate ungraded security features. At a minimum these would include newer and better locks on the most exposed doors. These could include the installation of new deadbolt locks with keys strictly limited to only those personnel with need. Other important doors should be re-keyed promptly to limit access to former employees and any unauthorized individuals. Keys should be returned when employees terminate employment. The door locks could be periodically re-keyed in the future. Exterior doors should be strengthened in order to minimize forced entry. Concerning the storage rooms with controlled and other drugs, management should consider the benefits of installing a manual lock with a keypad for an entrance code which could be changed at any time. A more expensive alternative could be an electronic lock with a keypad or with a magnetic encoded "card swipe."

We recommend that unauthorized access to the building be further restricted. For example, the employee entrance door, after re-keying, would be kept locked at all times. Entrance by non-employees would only be allowed if authorized. Management should also consider the benefits of installing a manual lock with a keypad for an entrance code which could be changed at any time. A more expensive alternative could be an electronic lock with a keypad or with a magnetic encoded "card swipe."

ANIMAL CENTER SPECIAL REVIEW

We recommend that the employee entrance gate be upgraded with current technology. At present, the hinged chain link gate is padlocked after hours. As mentioned, we were informed that sometimes employees fail to lock the gate when they are inside the compound. At a minimum, management should clearly communicate that this is unacceptable. Of further concern is the assertion that this gate was not locked when the cleaning staff arrived for work on the evening of December 4th. Management is presently pursuing the availability of an electronic gate that automatically closes and locks after opening. We concur. Although this can be an expensive option, once an intruder accesses the parking area, he can remain undiscovered for a considerable period of time.

We recommend that management evaluate if there are preferable alternatives to Saturday employee staffing. As mentioned, Saturdays can be as busy as any week day, but are staffed with half the employees. From conversations with the Director, we were informed that this matter has been addressed in the past. This current procedure is the result of under staffing in general, the need to offer better availability to the public and the desire to limit the incurrence of employee overtime. We agree that these are important considerations, but believe other options may be considered.

We recommend that management determine whether the Landfill security guard should be assigned greater responsibility for the Animal Center. This would of course require the consideration and cooperation of other County managers and administrators. In any event, we recommend to those managers and administrators that the security guard be outfitted with a reliable radio or cellular telephone for prompt reporting and personal safety.

MANAGEMENT'S RESPONSES AND COMMENTS

The County Administrator and the Code Enforcement Director present the attached responses and comments concerning this review and our recommendations.