

**AUDIT TEAM**

***Jim Williamson, CPA, CIA, City Auditor***

***Janet McWilliams, CPA, Audit Manager***

**DEVELOPMENT SERVICES DEPARTMENT  
ANIMAL WELFARE DIVISION  
INVESTIGATION REPORT**

**JUNE 10, 2014**

**MAYOR AND CITY COUNCIL**

<b><i>Mick Cornett</i></b>	<b><i>Audit Committee, Mayor</i></b>
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June 10, 2014

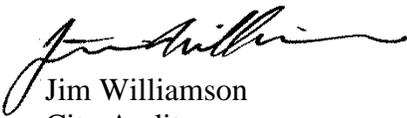
The Mayor and City Council:

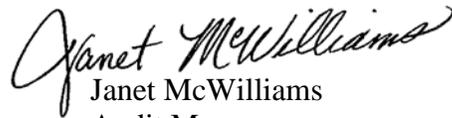
The Office of the City Auditor has investigated alleged embezzlement in the Development Services Department - Animal Welfare Division (AWD). Our investigation substantiated the allegation and confirmed missing revenue deposits totaling \$5,123.

Our investigation also revealed certain control weaknesses. Recommendations addressing these weaknesses are discussed in the attached report and include the following:

- Revenue deposits should be processed timely. Recommendation 1.
- Cashiering transaction codes and processes should be revised to improve accuracy of and accountability for fee collection. Recommendation 3.
- Cashier area security should be enhanced. Recommendation 5.

The content and emphasis of items in this report have been discussed in detail with appropriate representatives from management. These discussions were held to assure a complete understanding of the recommendations and observations arising from our work. Management's responses are attached to this report in their entirety.

  
Jim Williamson  
City Auditor

  
Janet McWilliams  
Audit Manager

**DEVELOPMENT SERVICES DEPARTMENT  
ANIMAL WELFARE DIVISION  
INVESTIGATION REPORT**

**SCOPE, BACKGROUND AND METHODOLOGY**

At the request of Development Services Department management, the Office of the City Auditor has investigated alleged embezzlement of Animal Welfare Division (AWD) income. Our investigation substantiated the allegation and identified certain internal control weaknesses. This report is intended to assist management in addressing these weaknesses.

AWD is responsible for promoting public health and safety, for temporarily sheltering and providing humane disposition of unwanted or lost animals, and for promoting animal welfare so that pet ownership is a pleasure for owners without becoming a burden to the community.

AWD manages the Oklahoma City Animal Shelter which facilitates the adoption, impoundment and reclaiming of pets for Oklahoma City citizens. Oklahoma City Municipal Code, Chapter 60, Title 8 sets the general schedule of fees for livestock and fowl shelter and field services; impoundment fees and deposits; and other animal fees. One-half of all adoption fees underwrite the Animal Birth Control (ABC) Project which funds dog and cat spays and neuters.

Procedures performed during the investigation included developing evidence for the Police Department; assessing AWD's cash deposit procedures; summarizing daily fee transactions and reconciling totals to deposits processed through the City Treasurer's Office; analysis of AWD published policies and procedures; and interviewing AWD and other City personnel.

Our work focused on investigating the allegation referenced above and did not include performing an audit of AWD. Therefore, we have no opinion regarding the adequacy of internal controls in the above mentioned areas.

Recommendations included in this report are intended to provide constructive suggestions for addressing certain operational matters noted during our investigation. Each recommendation is immediately followed by *management's response*, which is also attached to this report in its entirety.

**RESULTS OF WORK PERFORMED**

AWD uses Chameleon Animal Shelter software<sup>1</sup> to record daily transactions related to adoptions, other services provided, and donations. AWD policies to guide how payments should be received, reconciled and deposited have not been updated since the implementation of Chameleon.

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<sup>1</sup> Chameleon Animal Shelter software was implemented in 2008 following a 2006 audit of AWD operations by the Office of the City Auditor

Procedures for AWD daily deposits include the following activities:

- AWD Animal Supervisor reconciles each AWD Representative's cash drawer to a daily cash report, prepares a deposit, logs deposit for Brinks pick up, and submits cash reports and copy of the deposit slip to the AWD Unit Operations Supervisor.
- AWD Unit Operations Supervisor reconciles the daily deposit information received to a transaction by revenue account report, generates online donation report and prepares daily revenue report.
- AWD Unit Operations Supervisor transmits the daily revenue report via email to the City Treasurer's Office.
- Brinks pick up of AWD deposits for delivery to the City's bank on Monday, Wednesday, Thursday and Friday.
- AWD revenue is recorded in the appropriate revenue account in the City's PeopleSoft financial system when the City Treasurer matches an AWD revenue report to deposit notifications received from the bank.
- City Treasurer's Office sends a receipt of the processed deposit back to the AWD Unit Operations Supervisor to be matched with the corresponding revenue report.

#### **Comment (1)**

**Established procedures were not performed daily.** Between December 1, 2013 and January 25, 2014, AWD Animal Supervisors prepared 53 daily deposits totaling \$75,393.94. Deposit records in the City Treasurer's Office indicate 44 daily deposits were not processed timely. Additionally, 8 deposits were not included in the two log books used to record Brinks receipt of deposits and Brinks bag numbers were not used sequentially.

On January 30, 2014 an AWD Animal Supervisor responsible for preparing deposits, turned in daily cashier activity totaling \$12,100 for the period January 17 through January 25, 2014, before resigning his position. A reconciliation of this activity completed by AWD personnel identified a cash shortage of \$5,123.

Timeliness of deposits is primarily ensured through the Unit Operations Supervisor's review. However, these responsibilities are not addressed in AWD policies.

An effective system of internal controls should minimize the potential for errors or irregularities to occur. If they do occur, effective internal controls should detect such errors or irregularities in a timely manner.

#### **Recommendation (1)**

AWD management should update daily deposit policies and procedures to include:

- AWD Unit Operations Supervisor responsibilities ensuring timely delivery to the bank.
- use of only one active Brinks log, and
- sequential use of Brinks bags

### ***Management Response (1)***

*Agree with recommendation. By June 30, 2014, AWD management will update daily deposit policies and procedures to include AWD Unit Operations Supervisor responsibilities ensuring timely delivery to the bank; use of only one active Brinks log; and sequential use of Brinks bags.*

### **Comment (2)**

**Chameleon revenue balances are not reconciled to PeopleSoft to ensure accuracy and completeness of recorded revenue.** A Chameleon report for revenue transactions processed July 1, 2013 through January 31, 2014 totaled \$267,921 while PeopleSoft revenue recorded for the same period totaled \$272,189. This was primarily due to online donations and ACH payments from offsite adoption events recorded in PeopleSoft that were not recorded in Chameleon.

Chameleon software includes the capability to manage and report on donor solicitations, campaign management, contact tracking, notices and other correspondence. Online donations and offsite adoption transactions in Chameleon would improve donor management and facilitate reconciling Chameleon revenues to those recorded in PeopleSoft.

### **Recommendation (2)**

As recommended in the City Auditor's report dated December 31, 2006, relating to an audit of AWD operations, deposits should be reconciled to amounts recorded in the PeopleSoft financial system monthly. Online donations and ACH payments should be recorded in Chameleon to facilitate the reconciliation process.

### ***Management Response (2)***

*Agree with modification. By October 31, 2014, deposits will be reconciled to amounts recorded in the PeopleSoft financial system monthly. Online donations and ACH payments will be recorded in Chameleon to facilitate the reconciliation process if possible. If Chameleon does not have this capability, management will work with the Auditor's Office to establish an acceptable methodology to reconcile revenue not recorded in Chameleon.*

### **Comment (3)**

**Chameleon transaction coding does not provide for accurate fee collection or accountability for completeness of revenue.** The Chameleon report for revenue transactions July 1, 2013 through January 31, 2014 showed inconsistencies in amounts charged on 13 out of 19 Account Codes (68%) used to record transactions for adoptions or services which have set fee amounts designated by City Ordinance. We tested 82 transactions and found the following significant inconsistencies:

- Wrong Account Code used (21%)
- Wrong Amount Charged, many without administrative override notes (20%)

- Adoptions without one-half allocation to the ABC Donation Project (6%)

Chameleon system security allows user update in the unit price field without regard for noting approvals for deviation from set fee amounts. Defaulted values for the Account Codes used for adoptions are set at the full rate and require AWD Representatives to manually split and reenter adoption amounts between adoption codes and donation codes.

Inconsistent data entry and the ability to change the unit price field increase the risk for errors, fraud and abuse.

### **Recommendation (3)**

To improve the accuracy of fee collection and accountability for completeness of revenue AWD management should:

- Develop AWD Representative training for Chameleon transaction processing.
- Analyze Chameleon Account Codes to ensure fees with established amounts in the City Ordinance have individual Account Codes with accurate default values.
- Create additional Account Codes for market rate based adoptions designated in the City Ordinance and require use of the Reference field to identify type of adoption.
- Create an Account Code for Administrative overrides.
- Work with the Information Technology Department to restrict changes to Chameleon unit price fields with default values.
- Determine a more efficient, consistent method to allocate one-half of adoption fees to ABC Donation Project (e.g., remove cashiers from allocation process through Chameleon programming or allocate funds to revenue codes during daily deposit or monthly reconciliation process).
- Develop procedures to monitor the accuracy of actual charges for AWD services.

### ***Management Response (3)***

*Agree with recommendation. By October 31, 2014, to improve the accuracy of fee collection and accountability for completeness of revenue, AWD management will develop AWD Representative training for Chameleon transaction processing; analyze Chameleon Account Codes to ensure fees with established amounts in the City Ordinance have individual Account Codes with accurate default values; create additional Account Codes for market rate based adoptions designated in the City Ordinance and require use of the Reference field to identify type of adoption; create an Account Code for Administrative overrides; work with the Information Technology Department to restrict changes to Chameleon unit price fields with default values; determine a more efficient, consistent method to allocate one-half of adoption fees to ABC Donation Project (e.g., remove cashiers from allocation process through Chameleon programming or allocate funds to revenue codes during daily deposit or monthly reconciliation process); and develop procedures to monitor the accuracy of actual charges for AWD services.*

#### **Comment (4)**

**Adjustments to transactions entered into Chameleon are not reviewed or approved for accuracy and validity.** The Chameleon report for revenue transactions July 1, 2013 through January 31, 2014 included 159 "journal entries" where receipts had been adjusted or voided. A review of a selection of these entries indicated a lack of documentation for purpose of adjustment or void. Chameleon system security allows AWD Representatives to process adjustments and voids without supervisory assistance.

Void and adjusted transactions without review and/or appropriate documentation could result in fraud occurring and going undetected.

#### **Recommendation (4)**

AWD management should enforce departmental policy to require adequate documentation and approval by an AWD Animal Supervisor for voids and exceptions to fees set by City Ordinance.

Additionally, management should work with the Information Technology Department to require administrative approval on adjustments and void entries in Chameleon.

#### ***Management Response (4)***

*Agree with recommendation. By October 31, 2014, AWD management will enforce departmental policy to require adequate documentation and approval by an AWD Animal Supervisor for voids and exception to fees set by City Ordinance. Additionally, management will work with the Information Technology Department to require administrative approval on adjustments and void entries in Chameleon.*

#### **Comment (5)**

**Cashier area is not secure and cash is not adequately safeguarded.** During our investigation we observed two unsecured means of access to the cashier area, an unlocked safe containing the daily deposit and bags of change, cash drawers away from individual cashier stations and a lack of surveillance equipment in the cashier area.

Cash should be adequately safeguarded to deter theft. Surveillance equipment increases security, employee sense of safety and provides for accountability in the cash receipt process.

#### **Recommendation (5)**

To ensure safeguarding of City assets and increase employee safety, AWD management should:

- Install locks, that remain locked at all times, at entrances to cashier area
- Move safe to interior office behind cashier area

- Issue individual safe combinations to designated employees to ensure safe can remain locked without impeding Brinks deposit pick up
- Redesign cashier area so cash drawers can be accessed at individual cashier stations.
- Install surveillance in cashier area and safe areas to provide enhanced security and safeguarding

***Management Response (5)***

*Agree with recommendation. By December 31, 2014, to ensure safeguarding of City assets and increase employee safety, AWD management will install locks, that remain locked at all times, at entrances to cashier area; move safe to interior office behind cashier area; issue individual safe combinations to designated employees to ensure safe can remain locked without impeding Brinks deposit pick up; redesign cashier area so cash drawers can be accessed at individual cashier stations; and install surveillance in cashier area and safe areas to provide enhanced security and safeguarding.*



# MEMORANDUM

The City of  
**OKLAHOMA CITY**



**TO:** Jim Williamson, City Auditor

**THROUGH:** James D. Couch, City Manager *JDC*

**FROM:** *BT* Bob Tener, Development Services Director

**DATE:** May 29, 2014

**SUBJECT:** Development Services Department, Animal Welfare Division, Investigation Report

Following are management's responses to the status of recommendations outlined in the recent Development Services, Animal Welfare Division (AWD), Investigation Report.

1. Agree with recommendation. By June 30, 2014, AWD management will update daily deposit policies and procedures to include AWD Unit Operations Supervisor responsibilities ensuring timely delivery to the bank; use of only one active Brinks log; and sequential use of Brinks bags.
2. Agree with modification. By October 31, 2014, deposits will be reconciled to amounts recorded in the PeopleSoft financial system monthly. Online donations and ACH payments will be recorded in Chameleon to facilitate the reconciliation process if possible. If Chameleon does not have this capability, management will work with the Auditor's Office to establish an acceptable methodology to reconcile revenue not recorded in Chameleon.
3. Agree with recommendation. By October 31, 2014, to improve the accuracy of fee collection and accountability for completeness of revenue, AWD management will develop AWD Representative training for Chameleon transaction processing; analyze Chameleon Account Codes to ensure fees with established amounts in the City Ordinance have individual Account Codes with accurate default values; create additional Account Codes for market rate based adoptions designated in the City Ordinance and require use of the Reference field to identify type of adoption; create an Account Code for Administrative overrides; work with the Information Technology Department to restrict changes to Chameleon unit price fields with default values; determine a more efficient, consistent method to allocate one-half of adoption fees to ABC Donation Project (e.g., remove cashiers from allocation process through Chameleon programming or allocate funds to revenue codes during daily deposit or monthly reconciliation process); and develop procedures to monitor the accuracy of actual charges for AWD services.

4. Agree with recommendation. By October 31, 2014, AWD management will enforce departmental policy to require adequate documentation and approval by an AWD Animal Supervisor for voids and exception to fees set by City Ordinance. Additionally, management will work with the Information Technology Department to require administrative approval on adjustments and void entries in Chameleon.
5. Agree with recommendation. By December 31, 2014, to ensure safeguarding of City assets and increase employee safety, AWD management will install locks, that remain locked at all times, at entrances to cashier area; move safe to interior office behind cashier area; issue individual safe combinations to designated employees to ensure safe can remain locked without impeding Brinks deposit pick up; redesign cashier area so cash drawers can be accessed at individual cashier stations; and install surveillance in cashier area and safe areas to provide enhanced security and safeguarding.

Thank you for your professional review of this program.