

# Follow-up on Multnomah County Animal Services Finances

Improvements made but pet licensing  
remains inefficient

June 2020



Multnomah County Auditor's Office

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## Report Highlights

### What We Found

Multnomah County Animal Services (Animal Services) made considerable progress by implementing 11 out of 16 of our recommendations from our 2016 Animal Services Finances audit. We found that the pet licensing process remains inefficient. Currently, seven people spend a large portion of their time manually entering licensing data. Improving pet licensing efficiency largely depends on the licensing database's ability to accept data electronically instead of manually entering it.

In 2007, the county required veterinarians to submit all rabies vaccination information for dogs and cats to Animal Services. Animal Services uses this information to identify unlicensed pets. Animal Services did not always timely enter this information into their licensing system due to staff reassignments, resulting in lost revenues. We also found in the 2016 audit that Animal Services did not enter months of rabies information from veterinarians.

In this follow-up audit, we discovered that internet pet licensing revenue decreased by 19% in FY2019 despite an increase in pet licensing fees authorized by the Board of County Commissioners. Internet pet license sales account for roughly 57% of total license sales. The revenue decrease occurred because Animal Services began enforcing the state law to present proof of rabies vaccination when purchasing a pet license. Showing this proof was inconvenient for pet owners who purchased their dog or cat license online. The county supports a bill to change the state law decoupling the proof of rabies vaccination from the license. We assume this law will pass.

Animal Services should develop procedures to manage pet licenses as well as ensure the accuracy of its licensing database. We also found that Animal Services should strengthen some licensing internal controls, and that they need to be able to show how they spent special purpose donations. Animal Services made some of these improvements during the audit.

### Why We Did This Audit

The objective of this follow-up audit was to determine whether Animal Services implemented 2016 audit recommendations. Much of this report focuses on pet licensing because Animal Services did not suitably implement our recommendation to use a computer system capable of properly managing pet licenses.

### What We Recommend

Animal Services should fully investigate other ways (listed in this report) to process pet licenses and improve licensing efficiency. Animal Services should also maintain sufficient staffing to promptly enter all veterinarian data. Animal Services should develop comprehensive pet licensing procedures and should verify the accuracy of data in the pet licensing database in an ongoing, systematic manner.

## Audit Results

### Pet licensing in 2016

In 2016, Multnomah County Animal Services (Animal Services) accepted payment for pet licenses but did not record them into its database for several months. For example, Animal Services would take up to six months to record licenses purchased from veterinary partners, also called licensing vendors in this report, after receipt of payment. Animal Services did not record online license purchases made at the Animal Services' website for up to two months after payment. These delays caused further problems. For instance, if pet owners did not respond to license renewals within 60 days, Animal Services sent delinquent notifications that angered pet owners who had already paid for their licensing through their veterinarian.

### What we found during the follow-up audit

Animal Services made considerable progress by implementing 11 out of 16 of our recommendations from the 2016 audit. However, four recommendations remain in progress, and Animal Services did not implement one of our recommendations.

In the 2016 audit, we recommended that Animal Services use a computer system capable of properly managing licenses, deferrals, and citations. Animal Services did replace its outdated licensing software. However, the new software largely replicates the former pet licensing system. It has not made licensing more efficient. The pet licensing process improvements that we observed were due to dedicating staff to resolve processing issues and not the new software.

### Why pet licensing matters

Animal Services issued a report in 2018 that lays out three pet licensing objectives. The first objective is identifying owners of lost pets and getting their pets back to them. According to a national pet registration provider, pets that are registered through licensing will get home faster

#### **Multnomah County Code §13.101 License Required**

(A) Dogs and cats shall be licensed within 30 days of obtaining the age of six months or within 30 days of obtaining residency in the county or acquisition by the owner or keeper, whichever occurs later.

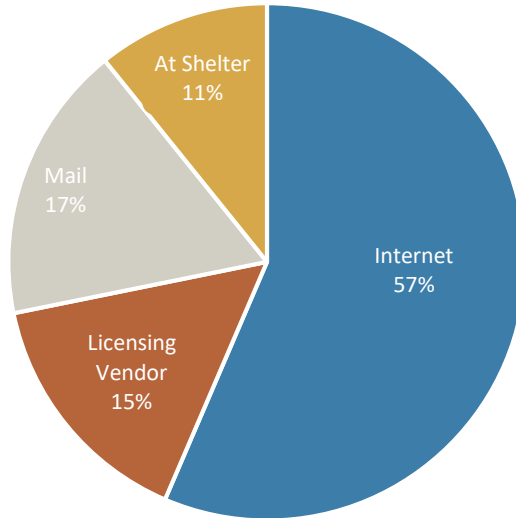
(B) Licenses shall be valid for one, two or three years from date of issuance, at the option of the pet owner or keeper and, for dogs and cats, shall require a current rabies inoculation for licensing period selected and shall be issued upon payment of the fee required by § 13.512.

than pets that are not registered. The second objective is offering differential pricing of licenses to support spay and neuter incentives. An intact pet license costs more than a spayed or neutered pet license. Revenue generation to support shelter activities is the third objective.

### Most county owners purchase their pet licenses online at the Animal Services website

Pet owners can purchase their pet’s license over the internet, from licensing vendors, through the mail, or at the Animal Services shelter. As shown below, internet sales make up over 57% of revenues, while 15% of revenues are from licensing vendors. Total pet licensing revenues in FY2019 were \$1.43 million.

57% of pet licenses sales are over the [internet](#)



Source: Auditor’s Office analysis of county financial information

## Animal Services' pet licensing process remains inefficient

Despite Animal Services indicating to us that they are above the national licensing compliance rate, the current licensing process is as inefficient as the process that was in place at the time of

### **Multnomah County Code §13.104 Filing of Rabies Vaccination Certificate.**

A veterinarian performing a rabies vaccination of any dog or cat must transmit a copy of the vaccination certificate or written documentation that includes the information contained on the certificate to the Director within 60 days. In the alternative, a veterinarian may issue a pet license in accordance with the rules adopted by the Director, and submit proof of licensure to the Director within 60 days. (Ord. 1093, Add, 05/31/2007)

the 2016 audit. Animal Services' process for managing pet licensing information continues to be largely manual. For instance, Animal Services' licensing database does not currently have the ability to electronically receive information from licenses purchased over the internet (roughly 57% of licenses) because the software vendor does not allow it. All other pet licensing information Animal Services receives is paper-based.

Reentering information from the internet or from paper-based data is costly, reducing the amount of licensing funds available for animal shelter operations. During the audit, seven office assistants spent a large portion of their time entering licensing data. If the system were more efficient, some of these seven employees could focus on other important tasks that support Animal Services' mission. In addition to these direct labor costs,

indirect labor, space, and computers needed to do the work increase these costs further.

## There are several options that could improve licensing efficiency

Improving pet licensing efficiency largely depends on receiving licensing data electronically, and the technology is certainly available to do so. Animal Services could keep the current software with the hopes that upgrades will allow it to more efficiently process internet license purchases and other licensing options. Given its importance, the county may be able to develop a pet licensing system in-house. Contracting out is another option but management told us they did not feel it was the best alternative. Finally, Animal Services could work with *all* veterinarians so they sell licenses at the time of a pet's rabies vaccination. This option may be the most convenient for pet owners but also has some challenges that would need addressing. Appendix A outlines the benefits and problems of these four options.

## Animal Services does not always enter rabies information received from veterinarians into the pet licensing database in a timely way

In an effort to increase licensing compliance, the county added a section to the animal services code in 2007 that requires veterinarians to provide Animal Services with rabies certificates (see text box above). According to licensing staff, about 87 veterinarians report rabies information to

Animal Services. Roughly 40% of these veterinarians sell licenses and give rabies vaccinations. The other 60% only gives rabies vaccinations and do not sell licenses.

Animal Services uses rabies vaccination information to identify unlicensed pets. When Animal Services inputs rabies information in a timely manner, they mail approximately 2,500 notifications for unlicensed pets each month. Not having this information entered into the licensing database timely can result in lost revenue. As of December 2019, Animal Services had not entered over six months of rabies certificates into the licensing database. After six months this information is not as useful.

The director said that staffing shortages caused the problem and he had to prioritize data entry of records for pet owners who had already paid for their license. Interns were hired during the summer of 2019 to help catch up but were only able to reduce the backlog by a couple of months. As of January 2020, management said they are fully staffed. Once new staff are trained, the rabies certificates will be entered. However, when data entry staff turnover, it takes time to replace them and Animal Services falls behind again.

Animal Services must call some veterinarians to get rabies certificates. Although Animal Services could fine these veterinarians for not timely providing the information, they have chosen to only impose fines as a last resort. Given the value of rabies information to identify unlicensed pets, it is essential that Animal Services always use it, and veterinarians should provide this information to Animal Services in a timely manner on their own.

Animal Services must timely receive and enter rabies data from veterinarians for the current licensing system to work properly. To accomplish this Animal Services should maintain sufficient staffing to promptly enter all veterinarian data. It may be possible to cross-train other Animal Services staff to fill in during shorter-term absences or establish on-call resources to cover for any vacancies that occur.

### Even though Animal Services increased fees, dog and cat licensing revenues decreased in FY2019

As shown below the county increased its dog and cat licensing fees in 2017, 2018, and 2020. This follow-up audit did not address the appropriateness of license fees because that was not a part of the 2016 audit. When Animal Services increased fees, they expected licensing revenues to increase. Revenues did increase in FY2018 but significantly decreased in FY2019. Grey highlights represent fee increases from the prior year.

Licensing fees increased in FY2017, FY2018, and FY2020

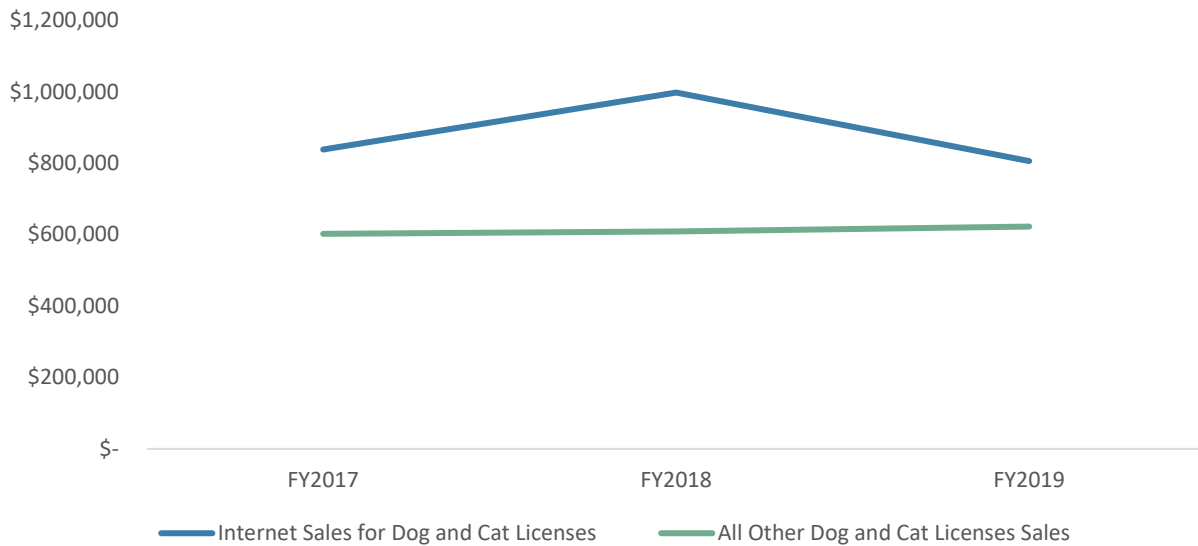
<b>Licensing Fees</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
<b>Dog – Fertile</b>					
1 Year	30	30	40	40	42
2 Years	50	50	75	75	77
3 Years	65	65	105	105	107
<b>Dog - Sexually Un-reproductive</b>					
1 Year	18	25	25	25	27
2 Years	26	40	45	45	47
3 Years	38	50	60	60	62
<b>Cat – Fertile</b>					
1 Year	30	30	30	30	30
2 Years	60	60	60	60	60
3 Years	90	90	90	90	90
<b>Cat - Sexually Un-reproductive</b>					
1 Year	8	12	15	15	15
2 Years	14	19	25	25	25
3 Years	19	24	35	35	35

Source: Multnomah County Master Fee Schedules

Animal Services isolated the revenue decrease to internet sales of dog and cat licenses. We concurred and found that internet sales in FY2019 decreased approximately 19%. Other combined licensing sales received through the mail, from licensing vendors and at the shelter increased by 2%. Given that internet sales of licenses account for about 57% of licensing revenues, this reduction is concerning.



Dog and cat internet licensing sales decreased by 19% in FY2019 while all other sales held steady



Source: Auditor’s Office analysis of county financial data

### The requirement to submit proof of rabies vaccinations decreased internet sales

To comply with state law and county code, our 2016 audit recommended that Animal Services should ensure all licenses are supported with an up-to-date rabies vaccination (see text box). The county modeled its code based on state law.

In early FY2019, Animal Services implemented the requirement to submit a proof of rabies certificate before issuing a license. Submitting a rabies certificate as a requirement for online license purchases is not as convenient for pet owners as just paying the license fee. Pet owners may have to get a copy of the rabies certificate from their veterinarian and make sure it is in an electronic format (pdf, jpg, png, jpeg).

**State law:**

433.375(3) No official of any county shall issue a license for a dog until the official has been shown a proper certification, or its equivalent, of a rabies inoculation.

**County code:**

§13.101(B) Licenses shall be valid for one, two or three years from date of issuance, at the option of the pet owner or keeper and, for dogs and cats, shall require a current rabies inoculation for licensing period selected and shall be issued upon payment of the fee.

The county supports a change to the state law that uncouples rabies vaccinations from licenses. We assume this law is going to pass. With the change in the state law, rabies vaccinations will still be required but pet owners will not have to prove it when they purchase a license. This change will make it more convenient for pet owners who purchase their licenses online and should help internet licensing revenues rebound from FY2019 lows.

## Several pet licensing internal controls need strengthening

Internal controls serve to safeguard assets from theft, support operational efficiency, and help ensure management's objectives will be achieved. An important control to help safeguard assets is separating incompatible duties. To properly separate duties, Animal Services should not allow staff who handle pet licensing cash to record information in the pet license database. If Animal Services cannot separate cash and recording responsibilities because of temporary staffing shortages or otherwise, they will need to increase their supervision until they are able to restore controls. We found one instance of staff performing both cash handling and recording responsibilities due to reassignment of staff. Animal Services stated this one case was an isolated instance and corrected it during the audit.

Animal Services uses a mail log to process pet license payments received through the mail. Two people at the front counter open the mail and record the license number, check number, and amount on the log along with whether the pet owner's payment was for a dog or cat. One copy of the mail log with checks then goes into the onsite safe until other staff can process them. The other copy of the mail log stays with the front counter. Used correctly, the mail log is a good internal control.

When staff process payments, they will occasionally find errors on the mail log that was in the safe. Staff change all copies of mail logs if this happens, which defeats the purpose of having a mail log. Animal Services should not change the amounts on the mail log at the front counter. Instead, staff should note any differences on the mail log without changing any of the original data. Further, Animal Services should not delete anything from the copy of the mail log from the safe, but rather should make notes on it describing any errors. Animal Services corrected this internal control weakness during the audit.

## Pet licensing data should be accurate and complete

We identified that information included in Animal Services' pet licensing data could be inaccurate. The accuracy of licensing data maintained by Animal Services is at risk because of the volume of licenses issued (according to an Animal Services report issued in 2018 approximately 59,000 dogs and 35,000 cats<sup>1</sup>), the manner in which that information must be entered manually, and Animal Services is not systematically validating the accuracy of licensing input.

Accurate pet licensing information is critical for identifying pets, properly billing licenses, and monitoring performance such as compliance rates. Animal Services staff told us that there is duplicate information in the licensing system. We worked with management in an attempt to quantify and better understand the apparent causes of inaccuracies, but were unable to

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<sup>1</sup> We identified the risk that Animal Services' pet licensing database includes inaccurate data, but these figures do provide a general measure of the volume of licenses.

complete this task due to the time constraints of licensing staff. Management stated that they believe the number of duplicates is below two percent of licensing records.

To help ensure accuracy, Animal Services data entry staff perform multiple searches before actually entering licensing data. For example, when staff enter a license that was just paid, they search for the license number of the pet. If staff do not find the license number, they search for the owner first by name and, if necessary, by address. If these searches do not find the pet or owner, staff may search by phone number. Multiple searches lengthen the time it takes to enter records but helps avoid duplicate or inaccurate records.

Other than multiple searches, we did not find systematic checks on pet licensing data accuracy. Staff, if they have time, will examine license data on their own initiative before mailing pet owners renewals or citations. This helps to remove out-of-county records, pet owners without a home at which to receive a notice, and pets who already have licenses.

Animal Services will need to take further steps to make sure all information in the pet licensing database is accurate. Animal Services should verify the accuracy of data in the licensing database in an ongoing, systematic manner that licensing procedures should detail.

### Animal Services will need to develop comprehensive pet licensing procedures

In the 2016 audit, we recommended that “Animal Services should comply with County Administrative Procedure FIN-19. Animal Services should bill amounts that are due in a timely manner, monitor receivables, try to collect delinquent accounts, and receive authorization for any write-offs.” FIN-19 addresses how the county should manage its accounts receivable. FIN-19 does apply to Animal Services payment plans but in our opinion should not apply to pet licensing.

Accounts receivable is the balance of money due to Animal Services for goods or services delivered or used but not yet paid for by customers. Animal Services management stated that they apply FIN-19 to payment plans. Payment plans allow low-income pet owners who are unable to immediately pay for impound, boarding, veterinarian, or other fees to bring their pets home from the Animal Services shelter with a commitment to make future payments. License fees and notices of infraction (NOI) are *not* eligible for payment plans.

Pet licensing has a very high number of small amounts that include both license fees due and NOIs. A NOI is generally a warning for pet owners to pay their license fees in 30 days or face a \$100 penalty. Animal Services sends out a large amount of NOIs but collects on few. The low collection percentage of NOIs may be partially due to owners paying for their license instead of the NOI, or owners may simply not pay for the license or the fine. Pets may move out of the

county or die between the last time Animal Services contacted the pet owner and the current renewal of license billing.

Some FIN-19 requirements are useful for pet licensing while others are not. For example, the sections on segregation of duties and cash handling will help Animal Services better manage licenses. Conversely, aging of licenses every quarter and estimating an allowance for uncollectable accounts add little value to managing licenses.

Animal Services is currently re-thinking how to best manage collection of overdue amounts. Animal Services used a collection vendor in April 2019 to collect unpaid NOIs (\$100 each). Animal Services sent approximately 5,000 notices and only collected \$55,000 (11%). This effort produced a poor return, received a negative reaction from pet owners, and created a high volume of phone calls.

Since our audit in 2016, Animal Services has made changes to its licensing system. Animal Services replaced its former licensing software as well as changed some of its billing methods. Because FIN-19 is not suitable for guiding the pet license process, Animal Services will need to develop a procedure that is.

These new procedures should include, for example:

- Overall description of licensing process
- Internet licensing process
- Collection of license fees paid at Animal Services, through the mail or through licensing vendors
- Issuing refunds
- Billing license renewals and citations—timing and reports used
- Description of data entry and validation of data
- Monitoring of veterinarians to timely send rabies information to Animal Services
- Separation of duties and cash handling
- Collection efforts and authorization to stop pursuing unpaid licenses or citations
- Key performance indicators and management reporting

The list above is certainly not all-inclusive. Animal Services has already done some work in particular areas such as refunds and cash receipts. Comprehensive policies and procedures should communicate the overall objectives of licensing and articulate the steps required to meet them. They also help ensure process consistency, serve as a training tool for new employees and a refresher for more experienced employees.

## Animal Services should be able to show how they spent special purpose donations

Special purpose donations are funds that Animal Services receives for a purpose other than for their five established donation accounts. For example, an event occasionally occurs that negatively affects dogs or cats, such as a natural disaster, and either the media or Animal Services publicizes it. People who wish to help respond by donating funds for that specific event. Animal Services should be able to account for both the donations received and exactly how they spent those funds. The effect of not being strictly accountable for special purpose donations could reduce future contributions. The Department of Community Services set up an accounting structure during this follow-up audit to track these types of donations.

Animal Services has an Invoice and Expenditure Approvals policy that established expectations and guidelines for approval of purchases and identified responsible personnel authorized to review and approve each invoice for accuracy. Animal Services should update this procedure to describe how special purpose donations are accounted for.

## New Recommendations

Several recommendations are time sensitive in that they pertain to reducing the potential for lost revenue and for correcting internal control deficiencies related to cash handling. These recommendations need to be implemented as soon as possible. Effective upon March 24, 2020, when the Auditor provided the final draft of this report to Animal Services, Animal Services should:

1. Always maintain sufficient staffing to promptly enter all veterinarian data. It may be possible to cross-train other Animal Services staff to fill in during shorter-term absences or establish on-call resources to cover for any vacancies that occur.
2. Not allow staff who handle licensing cash to record information in the license database. When Animal Services cannot separate cash and recording responsibilities, they will need to increase their supervision of staff performing these incompatible duties.
3. Always keep the amounts on the mail log at the front counter unaltered. Animal Services made this improvement to internal controls during the audit.

By June 30, 2021, Animal Services should:

4. Be able to demonstrate that it fully investigated other ways to process pet licenses with the objective of improving licensing efficiency.
5. Verify the accuracy of data in the pet licensing database in an ongoing, systematic manner. Animal Services should detail these data validation processes in their pet licensing procedures.
6. Develop its own comprehensive pet licensing procedures.
7. Include its new method of accounting for special purpose donations in its Invoice and Expenditure Approval procedure. Animal Services set up a structure to properly account for special purpose donations during the audit.

## Status of Recommendations

<p>1. Animal Services should comply with County Administrative Procedure FIN-19. Animal Services should bill amounts that are due in a timely manner, monitor receivables, try to collect delinquent accounts, and receive authorization for any write-offs.</p>	<p><b>In Process</b> Animal Services needs to develop their own procedures for pet licensing. FIN-19 applies to payment plans.</p>
<p>2. Animal Services should use a computer system capable of properly managing licenses, deferrals and citations whether SAP or the system under development. Newer technology should be used to help resolve veterinarian and licensing vendor backlogs.</p>	<p><b>Not implemented</b> The new software is inefficient and largely replicates the former licensing system. Animal Services initially reduced backlogs but were dealing with new backlogs of veterinarian data during this follow-up.</p>
<p>3. Animal Services should ensure all licenses are supported with an up-to-date rabies vaccination.</p>	<p><b>Implemented</b> The county started complying with this requirement in 2018, and then supported an effort to change the state law.</p>
<p>4. Animal Services should take a comprehensive look at their licensing approach to increase compliance rates including marketing, billing, monitoring, fining, collecting, and reporting.</p>	<p><b>In Process</b> Animal Services developed a report that builds on the existing licensing system and philosophy.</p>
<p>5. Animal Services should facilitate changes to the County Animal Services code where needed to fully support administration of licenses.</p>	<p><b>In Process</b> Animal Services will have to revisit code changes.</p>
<p>6. Animal Services should better define how funds for each of the four donation accounts can be spent. [Note: Animal Services recently added a donation account for kitten triage. There are now five donation accounts].</p>	<p><b>Implemented</b> Between the donation policy and procedure and the description of the types of donations online, this recommendation is implemented.</p>
<p>7. Animal Services should develop written policy and procedures for donation funds and special purpose donations.</p>	<p><b>In Process</b> Need to include special purpose donations.</p>

8. Animal Services should update managers on how to properly code donation purchases and properly charge labor costs.	<b>Implemented</b>
9. Animal Services should monitor donation fund purchases and labor costs to detect misclassified expenditures and to ensure compliance with budget law and financial policy.	<b>Implemented</b>
10. DCS business services should take a more active role in monitoring Animal Services finances to help ensure financial policy and procedures are followed.	<b>Implemented</b>
11. The County should review the existing financial policy Federal/State Grant and Foundation Revenues to address whether restricted private donations such as those received by Animal Services must be spent before any unrestricted funds used for the same purpose.	<b>Implemented</b>
12. Animal Services should develop written procedures for donated goods.	<b>Implemented</b>
13. Animal Services should use a better receipt for donated goods that complies with IRS rules.	<b>Implemented</b>
14. Animal Services should make sure that all receipts are kept and accounted for.	<b>Implemented</b>
15. Animal Services should disclose the value of donated goods on the financial statements.	<b>Implemented</b>
16. Animal Services should limit access to inventory.	<b>Implemented</b>



## Objectives, Scope, & Methodology

The objective of this audit was to determine whether Animal Services implemented the 2016 audit recommendations. To accomplish this objective we:

- Interviewed Animal Services management and pet licensing staff.
- Analyzed pet licensing internal controls.
- Conducted walk-throughs of pet license processes and data input controls.
- Reviewed county administrative procedures, board resolutions, and Animal Services procedures.
- Analyzed subsequent pet licensing collections.
- Reviewed the Request for Competitive Proposal quote for the pet licensing software.
- Studied the proposed change to the state law uncoupling rabies vaccinations from pet licenses.
- Vouched expenditures and labor costs charged to donation accounts.
- Examined the property sale related to the capital donation account.
- Contacted Cook County, Illinois to determine how they receive electronic rabies information from veterinarians within 15 days.
- Reviewed other jurisdictions' pet licensing methodologies as well as other jurisdictions' audits.
- This follow-up audit did not address the appropriateness of license fees because that was not a part of the 2016 audit.

### Internal Controls Scope of Work

We obtained an understanding of internal controls over Animal Services' billing and collection of pet licenses. An effective control structure provides reasonable assurance regarding the efficiency and effectiveness of operations, compliance with laws and regulations, as well as accurate financial reporting. To obtain an understanding of internal controls we interviewed knowledgeable staff, observed staff performing their duties, and analyzed pet license purchases for dogs and cats over the internet, through the mail, at the shelter, and through licensing vendors. We also reviewed policies and procedures that Animal Services created or updated since our audit issued in FY2016.

Based on our understanding, we assessed internal controls that were relevant to the audit's objectives. This included examining billing, cash handling, and recording controls. Our assessment identified concerns related to the licensing system's accuracy, separation of incompatible duties, and cash processing as detailed in the report.

The following are the internal control components and underlying principles that are significant to the audit objective. Management is responsible for all of these activities.



### Risk Assessment

- Define objectives clearly to enable the identification of risks and define risk tolerances.
- Identify, analyze, and respond to risks related to achieving the defined objectives.
- Consider the potential for fraud when identifying, analyzing, and responding to risks.
- Identify, analyze, and respond to significant changes that could impact the internal control system.

### Control Activities

- Design control activities to achieve objectives and respond to risks.
- Design the entity's information system and related control activities to achieve objectives and respond to risks.
- Implement control activities through policies.

### Information and Communication

- Use quality information to achieve the entity's objectives.
- Internally communicate the necessary quality information to achieve the entity's objectives.
- Externally communicate the necessary quality information to achieve the entity's objectives.

### Monitoring

- Establish and operate monitoring activities to monitor the internal control system and evaluate the results.
- Remediate identified internal control deficiencies on a timely basis.

## Data Reliability

We used financial information for the time-period of January 1, 2019 to June 30, 2019 from Workday, the County's current enterprise resource planning system to accomplish our audit objectives. We also used financial information for the time-period July 1, 2016 to December 31, 2018 from the prior enterprise resource planning system SAP. Based on the annual reviews of SAP and Workday by the County's external auditor, our office has determined that the data were sufficiently reliable for the purposes of this report.

We were unable to validate the accuracy of pet licensing data in the Animal Services licensing software.

## Statement of Compliance with Government Auditing Standards:

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Staff

Craig Hunt, CPA, Principal Auditor

## Appendix A Pet Licensing Options

### **Keep the current shelter management and licensing software system**

#### Benefits

- Customers have many different ways to purchase a license.
- Software vendor may have a better licensing system in the future that allows automated uploads from the internet instead of entering the information one license at a time.
- The software is already set up.
- Centralized data. Shelter management and licensing data are in one database.

#### Problems

- Inefficient. Takes a large portion of seven administrative assistants' (OA2s) time to enter internet and paper-based data.
- Will not allow electronic data to automatically upload into the system from the internet or otherwise.
- Many lookups required to help ensure data validity slows data entry.

### **Develop a licensing system in-house**

- The county can customize the licensing system to automatically upload data from the internet and other sources.
- More flexible to meet current and ongoing needs.
- Customized system that automates data entry reducing the risk of errors.
- Time and cost. Likely have to wait until IT can schedule development. Development costs are unknown.
- Multiple databases could be a problem because Animal Services will be keeping the shelter management part of current software.

**Require all veterinarians to issue licenses when pets get their rabies vaccination**Benefits

- Licensing when pets receive their rabies vaccination is as or more convenient for pet owners as the current system.
- Mostly synchronizes licenses with the rabies vaccinations on a one or three-year cycle.
- Cash handling is easier because it largely comes from one type of licensing.
- Would likely reduce citations because there is no delay between the time veterinarians vaccinate for rabies and when pets are licensed.
- Licensing system becomes simpler and easier to work with making it less prone to error.

Problems

- Although paper-based, about 40% of veterinarians already issue licenses as a convenience for their clients. There could be significant pushback from the other 60% of veterinarians who do not want this option.
- Animal Services would have to make issuing licenses easier for all veterinarians than the current licensing process, work with them to develop a process, and ensure profitability to both veterinarians and the county.
- Would need Multnomah County code changes.
- Animal Services would likely have to shorten the time veterinarians have to submit rabies and license information to Animal Services and the way they submit it. Cook County, Illinois allows 15 days for veterinarians to electronically submit rabies information.
- Smaller veterinarian businesses may have more difficulty with this option.
- Working with veterinarians, Animal Services would need to resolve special circumstances such as pets moving into the county who already have a rabies vaccination, those pet owners getting their pet's vaccination out-of-county and adoptions with no vaccination history.
- Animal Services will still need to track license and rabies information in their database.

**Contract out for licensing****Benefits**

- Animal Services has already done some of the work. Management states that Animal Services has looked at this option under the former director.
- With estimated staff reduction, associated supervision, space and computer charges, this option could be cost-effective.

**Problems**

- Many uncertainties without a full investigation. Reliability of pet licensing vendors is an unknown without further work.
- Unknown if Animal Services could still generate as much net revenue through a contractor.
- Not many vendors to choose from and uncertain whether any vendors could adequately manage a large licensing system like Animal Services.
- Animal Services would still have to monitor any contract with vendors.
- Some loss of control. If Animal Services does not manage the contract well, it could damage their reputation.
- Multiple databases could be a problem because Animal Services will be keeping the shelter management part of current software.

## Response

The Auditor's Office completed this report in March 2020. Due to pandemic conditions, the Auditor extended the due date for the auditee's response letter to the end of May 2020.

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## Director's Office

May 29, 2020

Jennifer McGuirk, MPA, CIA  
Multnomah County Auditor  
501 SE Hawthorne Blvd., Room 601  
Portland, OR 97214

Dear Auditor McGuirk,

In the Department of Community Services, we strive to improve processes and gain efficiencies where applicable, with the goal of providing service excellence. Audits are a way in which operations and functions are evaluated to ensure we are meeting stated goals and highlight areas for improvement. We appreciate the in-depth review and analysis conducted by you and your staff in the follow up to the 2016 Multnomah County Animal Services Financial Audit. Below, we have outlined specific responses for each of the recommendations from your office.

### **Recommendation 1**

Animal Services should always maintain sufficient staffing to promptly enter all veterinarian data. It may be possible to cross-train other Animal Services staff to fill in during shorter-term absences or establish on-call resources to cover for any vacancies that occur.

*We agree that sufficient staffing should be maintained in order to continue the important work of all work units within the division. Due to the nature of the work done across Animal Services, there are very specific job functions and duties which range from animal care technicians to office assistants. As a result, cross-training represented staff in different job classifications is problematic due to classification specifications and compensation rules. However, MCAS management has already begun discussions regarding on-call staffing to support these data entry positions in order to ensure that all information received is recorded in a timely manner.*

### **Recommendation 2**

Effective immediately, Animal Services should not allow staff who handle licensing cash to record information in the license database. When Animal Services cannot separate cash and recording responsibilities, they will need to increase their supervision of staff performing these incompatible duties.

*We agree that cash handling duties should be completely segregated in order to mitigate opportunities for fraud, waste, and abuse. As noted in the Audit Report, this was one isolated instance and once identified was immediately corrected. We consider this recommendation resolved.*

### **Recommendation 3**

Animal Services should always keep the amounts on the mail log at the front counter unaltered. Animal Services made this improvement to internal controls during the audit.

*We recognize, and agree with the importance of ensuring that logs are not altered so that any discrepancies can be accurately researched, identified, and accounted for. While MCAS management has already made improvements to these internal controls, management will also include formalized procedures for ensuring proper use of mail logs in its division Cash Handling Policy. Additionally, MCAS Management will ensure that staff are properly trained in how to notate errors or discrepancies found on mail logs to ensure that they are handled appropriately.*

#### **Recommendation 4**

By June 30, 2021, Animal Services should be able to demonstrate that it fully investigated other ways to process pet licenses with the objective of improving licensing efficiency.

*MCAS has already fully investigated several options for improving the efficiency of pet licensing, several of them are outlined in the appendix, beginning with the procurement of a new shelter database in 2017. With the implementation of Shelter Buddy software, MCAS didn't achieve significant gains in efficiency for pet licensing more broadly, it did achieve significant improvements in pet licensing enforcement through efficiencies and process improvements. MCAS will continue to review additional options for improving the management of pet licensing as part of continuing process improvement efforts. We do not believe that the recommendation to custom-build licensing software is feasible due to budgetary constraints.*

#### **Recommendation 5**

By June 30, 2021, Animal Services should verify the accuracy of data in the pet licensing database in an ongoing, systematic manner. Animal Services should detail these data validation processes in their pet licensing procedures.

*We are in complete agreement with the need to ensure that pet licensing data is accurate and error free. Having accurate data is a critically important component of a successful pet licensing program, and MCAS is taking steps to ensure improvement of record keeping and data quality. These steps include developing quality assurance/quality control checks, and ongoing training for staff. The QA/QC checks will consist of randomized internal data audits on a monthly basis. These internal data audits will be based on methodical and consistent approaches to auditing pet licensing data. Additionally, MCAS management will ensure that additional training is provided when necessary to correct errors and that staff have the tools and support necessary to ensure accurate and consistent data in the system.*

#### **Recommendation 6**

By June 30, 2021, Animal Services should develop its own comprehensive pet licensing procedures.

*We accept these findings and recommendations. Management recognizes the importance of developing comprehensive billing and accounts receivable procedures for our pet licensing program, and we are prepared to take necessary actions to implement effective written procedures. MCAS Management will conduct a comparative analysis of current, internal, procedures and Administrative Procedure FIN-19 to make certain essential components in each document aligns. Simultaneously, MCAS will document and create new procedures for business practices to replace those that do not entirely align with FIN-19. For example, a Pet License Renewal Notice issued to a customer does not*



*immediately or may never create a receivable that is due to the County. In many cases, an owner may have moved out of our jurisdiction, an animal may have been rehomed, or an animal may have passed away. Without knowing this information, MCAS cannot assume that the licensing fee is owed as a receivable. As a result, in every case, proof of ownership and location of an animal must be verified before fees can be recorded.*

*MCAS has already begun this work, in collaboration with Department of County Management Finance and Department of County Services Business Services and will have new procedures in place by June 30, 2021. We will also communicate changes in procedures to pertinent program staff to ensure awareness, responsiveness, and compliance of the newly documented pet licensing procedures, once completed.*

**Recommendation 7**

By June 30, 2021, Animal Services should include its new method of accounting for special purpose donations in its Invoice and Expenditure Approval procedure. Animal Services set up a structure to properly account for special purpose donations during the audit.

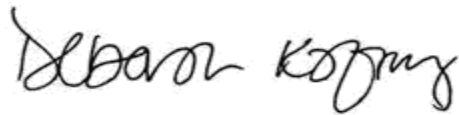
*In order to address this recommendation, MCAS has created an Invoice and Expenditure Approval procedure. MCAS, in collaboration with DCS Business Services, will monitor the recent addition of Workday's "miscellaneous other" costing structures that accounts for special purpose donations, and once confident that these structures adequately address the concerns raised, will formalize them in the documented procedures.*

Thank you,



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Jamie Waltz, Interim Director



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Deborah Kafoury, Chair